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UNIVERSITY OF ALBERTA

HOW RETAILERS' ACCEPTANCE OF NEW PRODUCTS CONTRIBUTES TO BRAND EQUITY

BY

COLLEEN COLLINS-DODD

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of **DOCTOR OF PHILOSOPHY**

IN

MARKETING

FACULTY OF BUSINESS

EDMONTON, ALBERTA

FALL 1993

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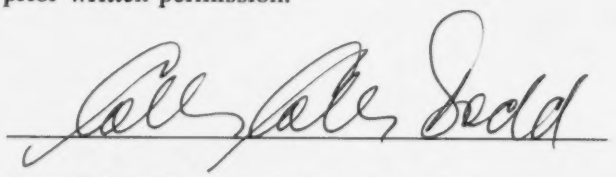

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FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled **How Retailers' Acceptance of New Products Contributes to Brand Equity** submitted by **Colleen Collins-Dodd** in partial fulfillment of the requirements for the degree of **Doctor of Philosophy in Marketing**.

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September 28, 1993

Abstract

Brand names represent a valuable asset for owners of the brand. It is surprising that the nature of brand asset returns, generally referred to as brand equity, has not been previously explored. The potential brand name returns can influence the appropriate broader marketing strategy.

The fundamental concern of this dissertation is to explore possible components of brand equity within a broader marketing strategy. Retailers' acceptance decisions for brand extensions have been selected as the context for this investigation because retailers represent an important yet unstudied source of brand equity.

A conjoint-analysis survey of independent retail grocers was used to examine retailers' response functions for brands and other marketing elements and distinguish between direct brand effects and brand-specific marketing mix sources of brand equity. The survey also investigated brand perceptions and motivations underlying retailers' brand utility. Some brand and category generalizability was achieved by observing 27 brand extensions in nine categories.

The results support direct brand name contributions to brand equity. In some cases, the brand name accounts for greater differences in product acceptance than marketing mix variables or competitors' actions. The brand name effect contributes to brand equity either by compensating for expenditures on other marketing mix elements or contributing directly to equity through greater distribution. The extension of brand effects to the importance of the marketing mix elements was not supported. Based on the listing decisions observed in this study, manufacturers of strong brands cannot assume that strong brand names influence retailers' sensitivity to the rest of the marketing strategy. Significant relationships between brand utilities and brand perceptions confirmed that the measured brand effects were related to perceptions of the parent brand's contributions to performance and consistency in appeal to consumers.

The finding that existing brands differ in their effect on acceptance makes a contribution both to the literature on retailer new product acceptance, which can directly include brands where relevant; and the theory and financial implications of brand equity. Brand extension strategies should now explicitly recognize the decisions of channel members as well as consumers.

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Table of Contents

Chapter — Page

1. Introduction 1
1.1 Motivation and Need for Research 1
1.2 Brand Equity 2
1.3 Sources of Brand Equity 5
1.3.1 Channel Participants' Brand Utility 7
1.3.2 Brand Extensions 9
1.4 Research Goals 10
1.5 Proposed Framework 11

2. Review of Literature 13
2.1 Brand Equity 13

2.1.1 Brand Name: An Intangible Asset 14
2.1.2 Consumer Valuations of a Brand Name 18
2.1.3 Brand Extensions 20
2.1.4 Fit of Brand Extensions 22
2.2 Retailer Decision Making 23
2.2.1 Economic Framework for Retailer Decision Making . . 23
2.2.1.1 Retail Competitive Environment 24
2.2.2 Retailers' New Product Acceptance Decisions 29
2.2.2.2 Decision criteria 31
2.3 Summary and Insights from Literature Review 34
2.3.1 Brand Equity 34
2.3.2 Retailers' New Product Acceptance 35
2.3.3 Implications 36

3. Hypotheses 37
3.1 Propositions 37
3.2 Hypotheses 38
3.2.1 Direct Brand Name Contributions to Brand Equity . . . 39
3.2.2 Brand-Specific Marketing Mix Contributions to Brand Equity 40
3.2.3 Retail Competitor Actions 46
3.2.4 Brand Perception Effects 47
3.2.5 Category Growth / Volume 48

4. Method 50
4.1 Issues and Objectives 50
4.2 Research Approach 56
4.3 Sample 58
4.4 Procedure 61
4.5 Response Rate 63
4.6 Data Collected 65
4.7 Dependent and Independent Variables 74
4.8 Model Estimation 75

5. Results 79
5.1 Main Effects of Brand Name and Marketing Mix 79
5.2 Brand by Marketing Mix Interactions 82
5.3 Brand by Competitor Actions Interactions 84
5.4 Brand Covariates 85
5.4.1 Brand Factor Analysis 85
5.4.2 Brand Covariate Results 91
5.5 Category covariates 93
5.6 Retailer covariates 93

6. Discussion 94
6.1 Summary of the Dissertation 94
6.2 Summary of findings 95
6.3 Interpretation of Results 98
6.4 Managerial Implications 102
6.5 Limitations of the Study 104
6.6 Future Directions for Research 107

Figures 109

Tables 114

References 131

Appendix 1 141

Appendix 2 143

List of Tables

Table		Page
1.	Parent Categories, Extensions and Brands	114
2.	Questionnaire Versions	115
3.	Attribute Levels	116
4.	Category Acceptance Probability and Sample Sizes	117
5a.	Parameter Estimates -- Detergent Extensions	118
5b.	Parameter Estimates -- Juice Extensions	119
5c.	Parameter Estimates -- Shampoo Extensions	120
6.	Attribute Importance	121
7.	Brand Covariate Descriptive Statistics	122
8.	Covariate Correlations	123
9.	Confirmatory Factor Analysis Results	124
10.	Brand Covariate Factor Loadings	125
11a.	Covariate Results -- Detergent Extensions	126
11b.	Covariate Results -- Juice Extensions	127
11c.	Covariate Results -- Shampoo Extensions	128
12.	Store Covariate Results	129
13.	Summary of Results of Hypotheses Tests	130

List of Figures

Figure		Page
1.	Direct and Brand-Specific Mix Contributions to Brand Equity	109
2.	Main Effects and Brand-by-Mix Interactions.	110
3.	A Conceptual Framework for the Creation of Brand Equity	111
4.	Retailer- Manufacturer- Consumer Relationship	112
5.	A Conceptual Framework of Retailers' Acceptance Decisions for Brand Extensions	123

1. Introduction

1.1 Motivation and Need for Research

CEO's are talking about brand equity.

> It's time we in marketing took charge of our most important responsibility: the development and defense of a company's most valuable assets -- its brand assets.
> (Larry Light, former CEO, Backer Speilvogel Bates. 1990)

> Brands are being bargained, belittled, bartered and battered.
> (Larry Light, president Coalition for Brand Equity, 1993)

> ...the challenge is clear -- we need to ... focus the resources of our business on strategies that build our brand equities and pay out on the bottom line...Our brands are the real assets we own. Without them, we have nothing.
> (Herb Baum, president Campbell's Soup, 1990)

Managing brand name assets to maximize brand name returns -- brand equity-- has become a major concern for firms seeking growth in recessionary markets.

A growing literature examines brand names as a source of value to the firm. Aaker (1991) and others (Keller 1993, Simon and Sullivan 1993, Kamakura and Russell 1993, Shocker and Weitz 1988), define brand equity as the expected cash flows generated for the firm from the brand name asset. Brand cash flows are based on market responses that may include creation of demand, increased success of new products, and reduction of marketing costs due to the market position or competitive advantage achieved by the brand. Despite the centrality of the specific nature of the expected brand cash flows to the definition and measurement of brand equity and implications for broader

marketing strategy, only very limited direct investigation has been conducted in this area (Barwise 1993). For the most part, the literature assumes that brand strategies provide direct financial benefits. However, in his review of brand equity research, Barwise notes that "overall there has been remarkably little empirical work on the financial, managerial, and strategic aspects of brand equity" (Barwise 1993, p.99). Reported statements of senior brand managers such as, "Our brand name and what it means to consumers virtually guarantees the success of any product we put it on" (Smith 1991, p.2), are representative of similar assumptions among practitioners.

The purpose of this research is to explore how responses to brand names contribute to brand equity in the context of other marketing elements. The goal is to assist managers of brands in the development of broader marketing strategies. In keeping with Keller's (1993) strategic motivation for studying brand equity, the objective is to help managers make better tactical decisions about marketing mix actions and improve marketing productivity.

1.2 Brand Equity

A brand name is an asset which can generate cash flow (i.e. create brand equity) in two ways: through direct brand name returns and brand-specific marketing returns. Figure 1 shows the distinction between these components as they contribute to cash flow. The key difference between the two lies in their relationship to other marketing mix elements. Whereas, the

direct brand effect is independent of the marketing mix (although it has marketing mix implications), brand-specific marketing effects are the result of interactions of the brand with other elements of the marketing mix.

Brand-based competitive advantages provide valuable returns to the firm by generating demand, loyalty and/or market share. Direct brand effects occur when a brand has a greater demand at a given level of advertising, price, promotion or distribution than another brand. That is, the marginal returns to the marketing variables are the same across all brands when all brands share the same response function for all the marketing mix variables except brand name. In modelling terms, this can be represented as a brand name main effect (see Figure Two for a graphical representation). Although direct brand effects are conceptually independent of other marketing mix elements, they may reduce other marketing costs by compensating for reduced demand when spending is reduced on other marketing elements.

On the other hand, brand-specific marketing mix contributions to brand equity occur when the brand name variable interacts with other marketing variables so that the marginal returns to the mix elements are not constant across brands. As a result, cost savings may be created in two ways. If the interaction is positive, then increasing the mix expenditure has a greater impact for strong brands than for weak brands. (Figure 2b) This means that strong brands can achieve the same increase in demand with a less expensive marketing mix. If the interaction is negative, (Figure 2a) the brand name

interacts with the marketing mix so that customers are less sensitive to changes in the marketing mix for strong brands than for weak ones. Thus, strong brands may have the opportunity to reduce their costs, without losing as much as weaker brands would if they followed suit, at least in the short term.

This phenomenon is similar to the relationship between advertising and price-sensitivity, which has received considerable attention in marketing. The argument is that the purpose of advertising is to reduce price sensitivity by focusing attention on tangible and intangible product attributes. In the long-term, however, it remains to be seen whether mix expenditure reductions reduce future brand equity.

The above distinction between components of brand returns is more precise than those currently provided in the literature, where all cost savings from other marketing mix elements are considered efficiency benefits. Aaker (1991) identifies effectiveness and efficiency of marketing programs among the ways brand equity provides value to the firm. He does not discuss the distinction between them or their relationship to other sources of value, such as prices or distribution. Smith (1991, 1992 and Smith and Park 1992) provides the only published investigation into the direct financial implications of brand strategy. He refers to the impact of brand names on market share as effectiveness (the direct brand effect). Smith's definition of efficiency combines both direct and brand-specific marketing effects as measured by their impact on sales per advertising dollar.

Previous research, having assumed the financial contributions of brand assets, has focused instead on brand and category specific reasons why brand strategies might fail. In particular, the examination of brand extension strategies has identified lack of fit between the brand concept and the extension category as a primary cause of brand extension failures. However, brand extension failures may also occur because the marketing mix strategy is based upon inappropriate assumptions about the nature of expected returns. Investigating the financial implications of brand assets and making the distinction in the contributions to cash flow clarifies the roles of brand and marketing mix strategies.

1.3 Sources of Brand Equity

Brand equity is created when consumers and channel participants have value for the brand name (Keller 1993). The value that consumers and retailers place on the brand name is reflected in their response to the total product which includes the brand name and associated marketing elements. These responses can include willingness to pay premium prices for a highly-valued brand (Swait, Erdem, Louviere and Dubelaar 1993), or to exhibit a differential sensitivity to advertising. It is the response to the brand which generates brand-specific cash flows. These cash flows may be the result of either direct demand for the brand or the brand-specific response to the marketing mix. Revenue and cost savings from these components create brand equity. Figure 3 presents a

conceptual framework for the creation of brand equity that summarizes this process.

As with many new constructs, there are many definitions of brand equity. For example, the Marketing Science Institute defined brand equity as:

> the set of associations and behavior on the part of a brand's customers, channel members and parent corporation that permits the brand to earn greater volume or margins than it could without the brand name; Brand Equity gives the brand a strong, sustainable and differentiated competitive advantage over competitors (MSI research priorities, 1988, p.31)

This cumbersome definition is similar to those used by some consumer researchers who define brand equity as the utility consumers obtain from a brand name (Kamakura and Russell 1993, Farquhar 1989, and Louviere and Johnson 1988). Although this term is in general usage, it is somewhat confusing. Equity and assets are generally considered firm-related resources. Consumers do not own the brand name, nor do they obtain earnings from them. Instead, consumers obtain benefits from a brand name such as image associations, quality signals or other information. These benefits might more appropriately be considered brand utility or value rather than equity.

Other work more clearly distinguishes between brand equity for the firm and value of the brand name for the consumer. To the firm, brand name is the asset that generates brand equity, which is the brand specific cash flow (Simon and Sullivan 1993) or the incremental market value of the firm above its book value (Tauber 1988). These definitions coincide with financial definitions of

equity and assets. It is consumers' responses, based on their value for the brand, that create the "differential expected cash flows" that are called brand equity. Keller (1993) defines "customer-based" brand equity as:

> "the differential effect of brand knowledge on consumer response to the marketing of the brand. That is, customer based brand equity involves consumer reactions to an element of the marketing mix for the brand in comparison with their reactions to the same marketing mix element attributed to a fictitiously named or unnamed version of the product or service" (p.2).

This paper will treat brand equity as the expected firm returns (and subsequent increase in market value) derived from consumers' and channel members differential responses to marketing variables. This paper will therefore, use "equity" when referring to the benefits derived by the firm from the brand asset, and "utility" or "value" when referring to benefits accruing to consumers or retailers.

1.3.1 Channel Participants' Brand Utility

Consumers' and channel participants' utility for brand names, while related, are quite distinct for two reasons. First, the channel participants, especially retailers, act as gatekeepers by selecting products and by setting prices and merchandising policies. The manufacturer's product offering is, therefore, moderated by the actions of the retailer. Particularly for new products, success with retailers is a necessary precondition for success with consumers.

Second, consumer and retailer demand functions differ because their brand utilities are based on fulfilling very different sets of needs and motivations. Marketers do not accept the traditional economic assumption that channel members are passive participants whose demand function is derived solely from consumers' direct response to manufacturers' product offerings. Figure 4 (cf. Mulhern and Leone 1991) shows the active intermediary role of the retailer. Retailers not only offer manufacturers' products to consumers, they also offer consumer access to manufacturers. Therefore, retailers and other channel members contibute substantially to the success of products with final consumers.

Achieving desired distribution levels is the first step in the achievement of sales objectives. For new products, retailers (and wholesalers) act as gatekeepers by choosing to list those products that they believe will be most profitable to them. Only about 30% of new products gain distributor acceptance (O'Neill 1986). With estimates of new product failure rates as high as 90% (Miller 1993) and increasing, it is not surprising that manufacturers are placing a growing emphasis on strategies to encourage retailer support. Manufacturers of packaged goods now spend nearly as much on trade deals directed to wholesalers and retailers as they do on consumer advertising and promotions. Direct payment for product listings have been estimated to average over $1million per SKU in trade allowances for each new product introduction in

1990 (Advertising Age, November 5, 1991) and may represent as much as eight months of projected manufacturer profits for a new item (Gibson 1988).

Thus, the same decade that has seen an explosion of interest in brand equity has also experienced the growing power of retailers relative to manufacturers. Indeed, Jones (1986) states, "the retail store is the battle ground on which most of the competitive struggle takes place"; while Porter (1976) suggests that "access to retail distribution will be identified as a major component of overall barriers to entry in consumer goods industries." Therefore, it is surprising that, except to suggest that they could be a possible source of brand equity, studies of brand equity have ignored channel participants.

1.3.2 Brand Extensions

Brand extensions provide a valuable opportunity to leverage the brand name asset by introducing new products in different categories using the parent brand name. Brand extension facilitates the transfer of consumer and retailer utilities for the existing product to the new product. Thus, the new product obtains a competitive position similar to the parent product. Extensions can leverage the core brand's sources of cash flow by generating demand and reducing the marketing costs associated with new product introductions.

1.4 Research Goals

This investigation of the nature of brand equity returns focuses on retailers' acceptance of brand extensions. Retailers were selected because they are the gatekeepers for the final product. Their responses to the manufacturers' offering are crucial to the success of any brand strategy, especially for new products such as brand extensions; however, retailers as a source of brand equity have been completely ignored by the existing brand equity and retailing literature. Brand extensions were chosen because they are an important opportunity for leveraging brand equity. Brand extensions also provide a more controlled context in which to study brand equity effects because utility for the brand name can be measured while controlling for product features.

The research goals are:

a) To investigate the extent to which brand names affect retailers' new product acceptance decisions;

b) To distinguish between direct brand contributions and brand-specific marketing mix effects as sources of brand equity in the acceptance decision;

c) To consider the impact of retail competition on the acceptance decision and whether retailers' sensitivity to competitors' actions varies across brands;

d) To explore how the components of brand perception contribute to brand utility in the retail acceptance decision.

1.5 Proposed Framework

Figure 5 presents a framework for the proposed relationships between the existing product and retailer acceptance of the brand extension.

The source of retailers' brand utility is their perception of the parent brand's contribution to retail performance. A brand may contribute to retail performance directly through the brand's ability to generate volumes and maintain its margins. Indirect performance contributions occur when the brand provides assortment benefits and helps to generate store traffic.

A new product that utilizes an existing brand name provides the retailer with information concerning the brand's past contributions to profits in other product categories. The brand name is therefore, proposed as the basis for inferring unknown characteristics of the new product, and forming expectations about the new product's direct and indirect potential profit contribution.

As discussed in Section 1.2, brand equity may be created directly and/or indirectly. The unique brand utility can combine with other marketing mix elements of the product offering in a compensatory process to determine its total utility. In this way, brand utility is a direct source of brand equity. Alternatively, a brand name may influence retailers' utility for other marketing elements so that retailers' marketing mix response is brand-specific. Retailers' brand-specific sensitivities to price, promotion, and competition can provide the opportunity for additional demand creation and/or marketing mix cost savings.

In previous research, fit or consistency between the extension and the existing product(s) mediates the transfer of brand utilities from existing products to extensions (Aaker and Keller 1990, Farquhar 1989, Tauber 1988, Minnesota Consumer Behavior Seminar 1987). Perceived fit moderates the extent to which characteristics and associations of the brand are applied to the new product. Fit may, therefore, affect retailers' decisions according to their expectations of consumers' response to the product offering.

Besides brand based expectations of the profitability of a new item, non-brand marketing mix strategies and category factors contribute to the acceptance or rejection of the new product.

Based on the preceding objectives, the approach of the rest of this dissertation is as follows. Part 2 reviews the relevant literature on brand equity and retail product acceptance upon which the preceding framework is based. Part 3 develops propositions that are based on the framework as formal hypotheses. Part 4 provides the method used to model the brand extension acceptance decision and test the hypotheses. The results of the analysis are presented in Part 5. The paper concludes with Part 6, a discussion of the results, managerial implications and contribution of the research to our understanding of brand equity and retailer decision making. Part 6 also discusses the limitations of this research and opportunities for further research.

2. Review of Literature

Two streams of marketing literature will be reviewed to provide the background for the research framework. First, a review of the brand equity literature emphasizes brand equity returns. Definitions of brand equity and the financial implications of brand assets will be followed by a brief review of consumer brand utility research in economics and marketing. Research concerning brand extensions as a source of brand equity will also be discussed. The large and growing literature on processes by which consumers transfer brand utilities to extensions is beyond the scope of this research.

The second major component of the review deals with retailer decision making and the new product listing context. To understand why retailers have utility for brand names it is useful to explore the broader acceptance decision.

2.1 Brand Equity

Brands and brand strategies have been of interest to marketers for many years, but the recognition of brand names as assets of considerable real value is largely a very recent occurrence. Responsibility for this academic interest and attention rests with the Marketing Science Institute, which declared "Brand Equity" to be a research priority in 1988. Firms' interest in brand equity has been motivated by substantial premiums paid for the acquisition of consumer product firms with valuable brands and the effect of brand and marketing mix decisions on shareholder value.

2.1.1 Brand Name: An Intangible Asset

Investment by a firm in past and current marketing activities may result in the creation of an intangible asset that contributes to the market value of the firm beyond the value of its other assets (plant and equipment, current assets, and investments in financial instruments). Brand equity has been viewed from a financial perspective as the capitalized expected future profits that are due to the association of a brand name with existing and potential products and services (Simon and Sullivan 1993). These profit expectations include both product demand and cost components.

> "Techniques that employ price premia only . . . result in biased estimates of brand equity. . . . price premia capture only one dimension of brand equity. Another dimension of brand equity is its ability to reduce the marketing costs of current and future products." (Simon and Sullivan 1993, p.30)

Brand assets may also be leveraged through extensions. An extension strategy involves transferring consumer and retailer values for the existing product to the extension, thus obtaining a strong competitive position for a new product that results in sales revenue growth for the firm. Because the brand is already known, marketing costs required to generate awareness (e.g., advertising) and obtain distribution (e.g. trade deals, slotting allowances) are expected to be lower to introduce the extension than if a new brand name were used (Margolis 1989, Farquhar 1989, Tauber 1988, Sullivan 1990, Aaker 1991)

The financial implications of branding strategies have received surprisingly little attention in the literature. Simon and Sullivan (1993) examined firms' market values relative to tangible asset replacement cost values in a variety of industries. They concluded that the differences represent the value of intangible assets.

According to Simon and Sullivan, sources of intangible assets could include non-brand firm-specific factors such as technology, market specific factors that limited competition, and brand equity. Simon and Sullivan also identified brand equity as having both a demand enhancing component and value from expectations of reduced marketing costs for firms with well-established brands. They found that consumer products firms enjoyed higher levels of brand equity as a percentage of firm replacement value than industrial products firms. For example, while Dow Chemical had high intangible value based on its research and development assets, Avon cosmetics had high intangible value due to brand equity. Unfortunately, Simon and Sullivan were not able to examine the relative contributions of the demand enhancing component and the cost reduction aspect. It is clear from their results that the stock market values strong brand name assets.

Few studies have explicitly examined the contribution of brand names to market demand and marketing costs. Smith's (1991, Smith and Park 1992) survey of product managers found that managers shared the belief expressed by the brand equity literature (e.g., Aaker 1991) that the brand name virtually

guarantees success with less investment. However, based on observation of 170 actual new and extended brand introductions, Smith reported that the effects of using brand extensions on market share and advertising costs/sales were much smaller tha.. expected. Using extensions instead of new names explained only 4% of the variation in market share and 7.3% of the variation in the advertising-cost / sales ratio. Further examination of the extended brands revealed that consumer-based measures of brand strength explained 4.8% of the variation in market share and none of the variance in advertising efficiency. While these effects are significant, they seem surprisingly low, and in no way could brand name strength be interpreted as "a guarantee of success."

Swait, et al.. (1993) used an experimentally designed choice task to determine the images associated with highly-valued brands and the price premium consumers were willing to pay. Their "equalization price" measure of consumer brand utility demonstrated higher prices as a potential source of incremental revenues. They found significant differences among brand equalization prices in some categories.

A largely ignored study by Peckham (1981) compared the average market share for brand extensions and new brand names during the first two years following introduction. In the household products area, of the 28 new products observed, the share of market achieved by new brand names was always higher than for brand extensions. The median share after two years was 6.7% for new names, but only 3.3% for established names. For 36 food

products, there were five instances where extensions achieved a higher share than new names; yet the median results were even more extreme than for the household products. The median share for new names was 6.5%; but for extended names it was only 1.9%. For the 51 toiletries products, there was only a 0.1% difference in the median share between new and extended brand names. In addition, Peckham found no evidence of advertising cost efficiencies for the extensions in household and food products and an advantage of less than 12% in the heavily-advertised toiletries category. He concluded that the common belief that established brand names are "pre-sold" in new categories is wrong. If less money and effort are directed to them, they will achieve a correspondingly smaller market share.

In summary, the assumed financial benefits of brand names have seldom been tested. Effects on share and advertising costs were surprisingly low and sometimes mixed. It should be noted that these studies used a correlation approach based on observational data. The limited effects observed may be due in part to the manufacturers' promotion strategy. If manufacturers believed that they had an advantage and acted according to that belief, then the results may be due to differences in advertising strategy between brands and not just consumers' response to the strategy. However, consumers' willingness to pay premium prices for highly valued brands has been established by both experiments and observational methods.

Interestingly, observational studies that examine consumers' willingness to pay premium prices for high equity brands may understate this effect because they ignore the role of the retailer. If retailers take smaller margins on high demand products due to competition at the retail level, then actual price premiums paid by consumers will be less than if retailers passively took equal margins on all products (Albion 1983).

2.1.2 Consumer Valuations of a Brand Name

The ability of brands to differentiate products on non-price dimensions has long been of interest to marketers. Gardner and Levy's (1956) description of a brand as "a complex symbol that represents a variety of ideas and attributes . . . a public image, a character or personality that may be more important for the overall status (and sales) of the brand than many technical facts" (p.35) has become a classic that has influenced several generations of marketers.

When we consider "what is in a name" for branded products, it is apparent that branded products differ not only in functional and physical terms, but in the added values placed by consumers on the brand's intangible images, perceptions and associations. That these added values exist is most vividly demonstrated by the differences between blind and branded product tests. Jones (1986) reports the case of a breakfast cereal (among others) where the choice

shares of three brands were 47%, 27% and 26% in the blind usage condition; and 59%, 26% and 15% when brand name information was available.

Economists generally view brands as the basis for product differentiation which can produce consumer loyalty, reduce price sensitivity, and restrict competition through barriers to entry (Comonar and Wilson 1974). More recent work suggests additional brand name functions which can provide consumer value. Brand name advertising can act as a signal of product quality (Nelson 1974), so that manufacturers' investment in advertising signals commitment and competence that will be reflected in product quality as well. Klein and Leffleur (1981) conceptualize the investment in brand specific expenditures, such as advertising, as a bond that prevents manufacturers from cheating on product quality, thus resulting in an anticipated revenue stream from premium prices. Stigler (1961) focuses on the information function of brand name investment that can provide value to consumers through knowledge of alternative choices and reduced search costs and uncertainty. In summary, although these studies differ in the dominant function of brand names, they all share the view that valuation of brands by consumers results in a willingness to pay for the information, guarantee, or uniqueness.

In psychological research in consumer decision making, the brand name represents the chunk of images and perceptions based on past experiences, and other sources of information such as advertising or salespeople (Jacoby, Szybillo, Busato-Schach 1977). Bettman goes even further, proposing that:

> "knowledge of the brand name leads to expectations about taste and other attributes . . . [that] may be stronger than subjects' ability to discriminate differences on these attributes" (Bettman 1979, p.80).

Multiattribute models of consumer utility generally assume that product utility can be completely decomposed into the product's physical attributes or characteristics. However, products with very similar characteristics may exhibit very different market shares (Srinivasan 1979, Kamakura and Russell 1993, Louviere and Johnson 1988). These are due to brand specific factors which are added values beyond the product's characteristics. The implication is that consumers will be willing to pay for these added values (Farquhar 1990, Aaker 1991, Shocker and Weitz, 1988). Swait et al. (1993) and Kamakura and Russell (1993) have demonstrated that highly valued brand names can command premium prices in some circumstances.

These studies show that both economists and marketers have established that brand names are a source of utility for consumers. However, neither the existence of brand utility, nor the process by which it is created has been addressed for retailers or other channel participants.

2.1.3 Brand Extensions

Successful leverage of brand name assets is expected to enhance demand and lower costs associated with launching brand extensions (e.g., see Simon and Sullivan 1990, Farquhar 1989, Margolis 1989, Sappington and Wernerfelt 1985). Tauber (1988) tracked every new product introduced to supermarkets during the 1970's. Of the 7,000 items introduced, only 93

achieved sales levels of a minimal economic size business (that is, $15 million sales using Tauber's definition). Of these 93 successes, two-thirds were line extensions with limited profit opportunity. On this basis, Tauber suggested that the way to expand profits is to: 1) enter new product categories by buying existing brands in the category or 2) extend brands into new categories that "fit" with the brand name and offer perceived superiority based on the brand name.

Potential benefits of product extensions that have been identified include consumer awareness of existing brand names, transfer of product associations from existing brands to new products, significant reductions in costs of introducing new products, reduced risks of failure, better access to distribution channels, and synergistic benefits with the original product (Tauber 1988, Farquhar 1989, Ries and Trout 1981). Research on brand extensions has shown that consumers may transfer associations from the originating brand to the extension. "Simply by knowing the brand, the consumer can think of important ways that they perceive the new brand extension would be better than competing products in the category" (Tauber 1988, p.28).

Several explanations have been proposed for this transfer of associations. According to Hotelling's model of spatial competition, a brand's previous reputation may signal the location of an extension. The distance between existing and extended product locations determines image differences and the applicability of the association transfer (Sappington and Wernerfelt

1985). Creating generalized preferences via cognitive category connections that are linked by the brand name is another means that has been proposed to spread consumer loyalties and preferences across product categories (Aaker and Keller 1990, Rangaswamy et al. 1989, Fry 1967). Product perceptions and values are transferred to the extended category the original product. Fry provides evidence that, subject to availability, consumers' brand choice probabilities are related across categories. Regardless of the actual transfer process involved, it is likely that retailers recognize consumers' transfer of associations, and incorporate them into their inferences and expectations of the brand extension.

2.1.4 Fit of Brand Extensions

Experimental tests of the transferability of consumers' brand values confirmed that the evaluations of the original product influence evaluations of extensions of a hypothetical brand name. However, judgments of similarity between the original product and the extension mediated the evaluations (Aaker and Keller 1990, Consumer Behavior Seminar 1987). Positive perceived quality was of limited value to an extension without some degree of fit between categories. Qualitative perceptual data for the extensions supported the transfer of parent brand associations to brand extensions, affecting extension valuations both positively and negatively.

Similarity judgments represent the degree of fit between original and extended products. Tauber (1988) identified seven dimensions of fit from a sample of 276 actual brand extensions:

a) the same product in a different form;

b) using a distinctive component in an item in a new category;

c) companion products in similar usage situations;

d) different products to the same customers;

e) products in different categories requiring the same manufacturing or service expertise;

f) products in different categories with the same desired benefits or features associated with the original;

g) products with the same status or style image.

2.2 Retailer Decision Making

2.2.1 Economic Framework for Retailer Decision Making

Economists have generally shown little interest in retailers apart from models of retail price promotions under very specific and limited conditions, such as end of season clearouts or clearance sales designed to discriminate between informed and uninformed consumers (Varian 1980, Pashigian 1988). Economists "implicitly assume that distributors are passive participants in the market - operating as a derived demand of consumer wants satisfied by manufacturers' products" (Albion 1983, p.67).

However, marketers view the issue quite differently -- we recognize the growing power of retailers compared with manufacturers, the distinct competitive environment faced by retailers, and the inherent multi-product nature of the retail store. Thus, retailers may be more properly conceptualized, not as a simple intermediary, but as an active participant in the exchange process. Two distinct sets of relationships exist: 1) retailers marketing products to consumers and 2) retailers marketing consumer segments to manufacturers (Mulhern and Leone 1991).

2.2.1.1 Retail Competitive Environment

While manufacturers face consumer demand only for their specific product, retailers face consumer demand curves for their store, as well as product categories and brands (Albion 1983), therefore, their objectives for any given product may differ substantially from that of manufacturers. Whereas, manufacturers seek to maximize sales from among competing brands, retailers seek to maximize sales across all items from among competing retailers. Retailers are attempting to build customer traffic, create favourable store perceptions, and increase sales volumes of merchandise (Mulhern and Leone 1991).

With respect to demand for the store itself, retailers generally operate in a monopolistically competitive environment due to location considerations and limited consumer information. Consumers tend to compare only some prices

between stores (Albion 1983). (Albion refers to these as "salient" categories and brands; Kapferer and Laurent (1983) would call these "sensitive" categories.) Consumers may use advertising and in-store information about these "salient" categories and brands to form their perceptions of the price level and selection of each store. Not surprisingly, retailers compete most vigorously on these items to attract customers to their store, where it is hoped that consumers will also purchase items on which the retailers do not compete to the same degree. This explains why retailers have been observed to be more responsive to competitors' actions than either measures of consumer price elasticity or consumers' knowledge of prices would dictate (Albion 1983, Steiner 1987).

Steiner (1987) uses the intervening effect of advertising on distribution to also explain advertisers' paradoxical belief in increasing advertising returns in spite of strong empirical evidence of diminishing consumer response. Particularly for new products, advertising is aimed at gaining distribution support. Steiner notes Bliemel's survey of Canadian consumer-goods producers, which found that "35.1% of the marketing executives at convenience-goods firms and 57.9% at shopping-goods firms responded that the [chief strategic emphasis] was on influencing distributors." Even for mature products, "any sizable cuts in the [advertising] budget, relative to that of competing brands, will materially reduce revenues by lowering the brand's retail penetration and dealer support and raising its gross distribution margin (p.52)."

In addition, in-store measures of brand attractiveness have been found to underestimate the impact of retail competition on retail coverage (Farris, Olver and De Kluyver 1989). Brands with high consumer resistance to compromise (that is, consumers would rather fight than switch), require less distribution to achieve greater market share because consumers will seek them out. However, these brands obtain wide distribution due to retailer demand.

2.2.1.2 Total Retail Product

> "The fundamental economic function of the retail firm is to deliver explicit products or services to consumers with a variety of distribution services " (Betancourt and Gautschi 1988, p.133)

The total retail product includes not only specific products, but also a broader implicit product that includes assortment, assurance of availability, ambience, information, and accessibility. It is inherently multi-product. This implies that, in their decisions to add new products, retailers must consider not only direct sales contributions, but also effects on total store sales via contributions to the implicit product. Although products may be independent in terms of the traditional definition of substitutes or complements, they are complementary in terms of the transaction with the market because of consumers' value for assortment benefits (Betancourt and Gautschi 1990).

Betancourt and Gautschi (1990) observe that most of the literature on assortment deals only with cannibalization and not with assortment as a utility creating consumer service which seems more in keeping with retailers'

concerns in competitive markets. Distribution services provided via retailers' assortment address consumers' shopping costs, adjustment costs (arising when what they want is not available at a specific store), and ambience. Assortment is an important competitive positioning decision for retailers.

Total profit contributions from a retail product offering must include direct and indirect contributions. Gross direct contributions are equal to the volume of the item sold multiplied by the gross margin. Above average direct contributions may be the result of above average volume, above average margin or a combination of both. Indirect contributions include the effect of the brand and its offered price on store traffic, and its impact on the sales of other products. Betancourt and Gautschi (1990-b) formalize the indirect effects as the returns from the provision of distribution services; that is, "consumers' willingness to pay a higher price for an explicit product that comes in a bundle with higher levels of distribution services" and retailers' "ability to generate additional profits through economies of scale and scope in the provision of explicit products and distribution services."

Thus, in some cases, retailers face much more sensitive consumer demand than manufacturers because of store competition. As a result, despite lower margins or even negative net margins, some brands are highly valued by retailers for their indirect effects. If we assume that retailers generally maximize profits, it follows that brands with the greatest direct and indirect contribution to store profits will be highly valued by retailers.

In-store merchandising of products also is an important component of total retail product. The retailers' role in a product's sales cannot be ignored because of the direct influence of in-store pricing and merchandising decisions on product item sales (e.g., Curhan 1972: shelf space; display and retail advertising: Kumar and Leone 1988). A two-way causal relationship exists between market share for an item and its distribution and merchandising. Distribution quality (i.e., in-store merchandising such as promotions, shelf location, shelf talkers, displays, etc.) affects brand choice just as consumer demand affects merchandising decisions. Farley and Leavitt (1968) estimated a system of simultaneous relationships for established products whereby sales was a function of distribution, and distribution was a function of sales. Farris, Olver and De Kluyver (1989) note that much remains to be done in this area.

For new products, besides the time and effort involved in evaluating new alternatives, retailers also incur costs associated with new product acceptance or trial. Direct costs include the addition and maintenance of the item in retailers' data bases, production of new shelf tags, etc. Opportunity costs of lost sales from alternative uses of shelf space, and losses due to unsold merchandise or markdowns where consumer demand is less than expected must also be considered. Balanced against these opportunity costs are costs associated with the rejection of new products such as unfavourable consumer perceptions of the breadth of store selection and possible store switching.

2.2.2 Retailers' New Product Acceptance Decisions

2.2.2.1 Models of Retailer Decision Making

Retailer product decision making has not received the same attention as industrial purchase decisions. Models appropriate to the industrial situation cannot be applied to retailers because of important differences between them. The relative importance of controlling direct costs, and the focus on purchasing for reselling instead of production, creates a greater marketing orientation among retailers. Retail buyers differ from industrial/ organizational buyers in that they act as both purchasing agents and marketing managers. They must evaluate purchases not only on costs, but also on consumer needs and market conditions (Wagner, Ettenson and Parrish 1989).

A related area (which will not be considered in this paper) deals with more general models of distribution and market share for mature products. The information available to the decision maker and the contribution of "new" products to retailers' competitive position on assortment differentiates new product decisions from the management of existing products. Routine re-buy decisions are largely automated in many operations.

Two quite different models of retailers' new product acceptance decisions have been proposed. Chu's proposed signalling framework (1992) moves away from the traditional delineation of marketing mix variables solely as push factors or pull factors. In his model, retailers combine prior expectations of product success with manufacturers' advertising, wholesale

prices, and willingness to pay slotting allowances, which act as signals of manufacturers' beliefs that new products will be successful. Manufacturers' willingness to invest in expensive advertising signals their expectation of commensurate returns.

Chu's representation of the acceptance decision adds some additional useful insights into the role of advertising and prices in retailers' listing decisions. In particular, framing the marketing mix variables as information sources for retailers suggests that these variables may have a role beyond their direct effects on retailers' profits. In this context, slotting allowances are an efficient screening device for new products, both from the channel and social welfare perspective.

The model is limited, however, by its singular focus on the role of these marketing variables solely as signals. It ignores other sources of expectations and any direct demand or profit effects of these variables in the decision process. For example, if manufacturers believe that strong brands require less advertising to be successful, they will provide less advertising support; therefore, the signal may be misleading. In addition, retailers may prefer new products that are lower-priced, especially if they are uncertain about potential consumer demand for a given product.

Rao and McLaughlin (1989) present a more descriptive model of retail buyers' new product evaluation process. In their model, buyers make inferences from the information presented to them by product representatives. These

inferences form the basis of potential consumer demand judgments and combine with manufacturers' trade support to determine retailers' profitability assessments and subsequent product listing decisions. This model is a straightforward push-pull conceptualization of the process. While interactions are implicit in the functional form of the model, there is no specific recognition of possible interactions among factors. In addition, because Rao and McLaughlin incorporate judgments directly into the model, their research is of limited benefit to someone wanting to understand the source of the judgments as might be the case for brand extensions.

2.2.2.2 Decision criteria

Research into influential factors in new product acceptance and product pricing may be summarized as follows:

a) judgments about product quality, uniqueness or perceived differentiation and "newness" (Rao and McLaughlin 1989; Wagner, Ettenson and Parrish 1989; Banting and Blenkhorn 1988; Nilsson and Host 1987; Ettenson and Wagner 1986; O'Neill 1986; Montgomery 1975; Borden 1968)

b) judgments about expected profit contribution and expected gross margin (Rao and McLaughlin 1989; Wagner, Ettenson and Parrish 1989; Banting and Blenkhorn 1988; Ettenson and Wagner 1986; O'Neill 1986; Montgomery 1975; Heeler, Kearney and Mehaffey 1973)

c) judgments about consumer demand and resistance to compromise (i.e., the number of consumers who would delay purchase or go to another store if the product was unavailable) (Farris, Olver and DeKluyver 1989) and usefulness as a traffic generator if advertised (Albion 1983)

d) manufacturer's reputation (Rao and McLaughlin 1989; Nilsson and Host 1987;), supplier size (Gatignon, Weitz and Bansal 1990),and whether it is a private label or "national" brand (Ettenson and Wagner 1986)

e) marketing mix variables such as price, trade allowances, consumer advertising, guarantee of stock return, terms of sale, effectiveness of sales presentation, and delivery (Rao and McLaughlin 1989; Wagner Ettenson and Parrish 1989; Banting and Blenkhorn 1988; Nilsson and Host 1987; Ettenson and Wagner 1986; O'Neill 1986; Levy, Webster and Kerin 1983; Montgomery 1975; Heeler, Kearney and Mehaffey 1973; Borden 1968)

f) category factors such as number of competing brands, category volumes and growth potential and presence of private label products (Rao and McLaughlin 1989; Banting and Blenkhorn 1988; Nilsson and Host 1987; O'Neill 1986; Montgomery 1975; Heeler, Kearney and Mehaffey 1973)

g) retail competitors' listing of the product (Montgomery 1975; Heeler, Kearney and Mehaffey 1973), and number of warehouses carrying the product (Nilsson and Host 1987)

For the judgment factors, the research ignores the sources of inferences and does not model this stage. In the case of brand extensions, brand names

may offer a reasonable basis for these inferences. In the same way that consumers infer brand values. (e.g., Farquhar 1989, Kamakura and Russell 1990), retailers may also value brand associations or inferences beyond other concrete marketing variables. The brand-specific value may then be combined with other non-brand marketing variables to form an expectation of consumer demand and profitability.

Researchers have employed both observational and experimental approaches in the area. In the observational studies, there are differences in when and how the information for the independent variables was obtained. Most of the research has focused on acceptance decisions across categories. While this approach has the benefit of providing a broad overview of what is likely to be accepted, it confounds within and between category effects. For example, do retailers prefer categories with higher-priced products, or do they prefer higher priced products within a given category?

Based on surveys filled out concurrently with listing decisions, Rao and McLaughlin (1989) employed logistic regression for accept/reject decisions, and self-reports of product characteristics of introductions across all grocery store categories. Heeler, Kearney and Mehaffey (1973), tested additive, conjunctive and disjunctive versions of multiattribute models of acceptance using "product presentation" information provided by suppliers when introducing a product. They found that the linear compensatory model was the only one to outperform

chance in validation tests on a set of holdout products. Banting and Blenkhorn (1988) surveyed 272 non-food retailers and asked them to rate the importance of 33 criteria obtained from personal interviews. Borden, (1968) used personal interviews in a case study of a retail grocer. Montgomery (1975) applied discriminant analysis to buyers' ratings of hypothetical products on 18 variables and decisions of whether these products would be accepted. He did not indicate how the hypothetical products were developed, but they do not appear to have been designed experimentally. Ettenson and Wagner (1986) and Wagner, Ettenson and Parrish (1989) applied conjoint measurement to salability of fashion merchandise and likelihood of purchase for department store buyers. McLaughlin and Rao (1991) also used conjoint analysis but without much success. They combined data from several categories and found that the category effects swamped the decision factors.

The results of these studies confirmed, for the most part, the significance of the criteria identified above. None of them included brand name information or the impact that the brand could have on the effectiveness of other mix variables.

2.3 Summary and Insights from Literature Review

2.3.1 Brand Equity

a) Brand Equity, an intangible asset, is derived from the competitive advantage conferred by the brand name.

b) Consumers have been observed to derive utility from brand names.

c) Contributions to brand equity may include increased revenues and reduced costs due to the brand's competitive position.

d) The evidence is mixed concerning possible brand based efficiencies whereby the brand can substitute for other marketing mix expenditures.

e) Brand extensions provide important opportunities to leverage the brand name asset. Brand extensions utilize the competitive advantage of the brand name in new categories, where the brand "fits", to create additional brand equity.

f) There has been no research specifically confirming retailers' brand utility or contribution to brand equity.

2.3.2 Retailers' New Product Acceptance

a) The retailer demand function is related to, but not equal to, the consumer demand function.

b) Retailers operate in a multi-product competitive environment whereby manufacturers' products are used to compete between stores.

c) The total retail product includes the explicit product (i.e., items offered for sale at a given location) and the indirect product (i.e., distribution services more generally).

d) Total retail profits include direct (volume/margin) and indirect contributions (traffic).

e) Criteria identified for new product decisions include judgments about the product and manufacturer, marketing mix elements directed to the trade, category factors and competitors' activities.

f) Brand names have not explicitly been included in the acceptance decision models.

2.3.3 Implications

It has been suggested that brand assets may contribute to current and future manufacturer profits through reduced sensitivities to price and expanded market opportunities from possible brand extensions. The literature also recognizes that retailers may value brand names as do consumers, but this supposition has yet to be examined. Existing examinations of brand equity have ignored retailers, despite retailers' pivotal role as gatekeeper for the introduction of new brand extensions to consumers and the direction of considerable funds toward trade promotion. This inattention may be due in part to a lack of understanding of the decision strategy employed by retailers for new product listings.

New product listing decisions are characterized by uncertain expectations of product performance. In the case of brand extensions, brand names can serve to identify products, relate experiences with the item, and link associations of competitive position, product positioning, and product image to current decisions. The brand name can also act as a bond or guarantee of

consistency in product quality, and even consumer appeal. The information provided by the brand name, which contributes to the overall judgment of the new product offering, creates utility for retailers just as for consumers. The difference between consumer and retailer brand utility is based upon satisfaction of different needs or goals. For retailers, brand utility may be based upon product contributions to profitability directly, through item sales volumes and/or indirectly, through contribution to consumers' image of the store and subsequent store traffic and total volumes.

3. Hypotheses

3.1 Propositions

The framework presented in section 1.5 (Figure 5) proposes a series of relationships by which brand name assets can create brand equity from retailers' acceptance of brand extensions. Underlying the financial outcome is the response generated by retailers' decision making process. If retailers have brand name utility for brand extensions, then the strength of the brand name will have direct effects on new product acceptance, and may influence retailers' responses to other marketing mix elements.

To understand the specific nature of brand returns, it is necessary to explore how retailers respond to new product offerings that include brand and marketing mix elements. If retailers exhibit no brand-specific responses in their acceptance decisions, then there can be no brand returns and no brand equity.

On the other hand, if retailers do have utility for brand names, then by observing their decisions it is possible to distinguish between direct brand effects, brand-specific marketing mix effects and generic marketing mix effects. The causes of the financial returns must be identified without interference from the relationship between the returns and retailers' responses to the brands. This may be accomplished only by focusing on responses rather than financial returns. Given the response, it is possible to calibrate returns using additional information such as product, promotion and advertising costs.

The strength of the brand is determined by retailers' perceptions of the core product and how well it is perceived to fit with the extension. The perceptions that are transferred to the extension are related to the role of the product in contributing to volume and/or assortment goals.

3.2 Hypotheses

The proposed hypotheses deal with the direct role of brand names and the relationship between the brand and other marketing mix factors in retailers' acceptance of brand extensions. The marketing mix main effects have been demonstrated by others as reported in Section 2, and therefore, only the brand and brand-marketing mix interaction effects are included in the hypotheses. The hypotheses listed below have been written in the alternative form.

3.2.1 Direct Brand Name Contributions to Brand Equity

All definitions of brand equity include a reference to incremental benefits arising from the brand asset (Barwise 1993). This incremental or relative contribution reflects the notion of the brand name as a source of competitive advantage. The first step in demonstrating the nature of brand equity in the current context is to show that brands provide a basis of competitive advantage with retailers. It is necessary to show that brands matter to retailers, such that differences are observed among brands' abilities to obtain distribution, while controlling for other marketing mix elements and the actions of other retail competitors.

H1: Brands differ in the likelihood that their extensions will obtain distribution, independent of other marketing mix elements or retail competitor actions.

Implications:

Retailers' acceptance of brand extensions is a source of brand equity if some brands are more readily accepted than others. Strong brands will achieve greater distribution at given levels of other marketing mix elements relative to weaker ones. Alternatively, owners of the brand name may achieve the same levels of distribution as their weaker competitors, but they may do so with lower costs by reducing the levels of other marketing mix elements.

3.2.2 Brand-Specific Marketing Mix Contributions to Brand Equity

If brands exhibit brand-specific responses for other marketing mix variables, then not only would brands have a direct impact on distribution, they could also influence the importance to retailers of other marketing mix variables. Either direct or brand-specific mix responses, or both, must be observed for distribution to contribute to brand equity. Hypothesis 2 deals with the brand-specific component of the marketing mix effect.

One generally accepted benefit of a strong brand is that, because of past advertising and consumer associations, the brand is pre-sold; hence, has greater power in the channel (Porter 1976, Albion 1983, Farris et al.. 1989). However, manufacturers' power is not the only reason retailers may be willing to negotiate terms. Transferred brand utilities also may influence retailers' sensitivity to other marketing mix variables.

Retailers may support high utility brands regardless of levels of trade allowances, consumer advertising and promotion because they offer greater potential direct store profits through higher volumes or contribute to product assortment. In this case the interaction between the brand name and marketing mix elements will reflect an inverse relationship between brand strength and retailers' sensitivity to other marketing variables (see Figure 2a for a graphical representation).

It is also possible that for some mix elements, a strong brand enhances the marginal attractiveness of marketing mix variables. For example, if

additional consumer or trade co-op advertising by a strong brand is expected to have a greater effect on volume demanded and resistance to compromise than a similar increase by a weaker brand, then retailer acceptance would be more sensitive to advertising or promotional allowances for stronger brands. That is, the brand-marketing mix interaction would be positive.

In either case, the key is to discourage those customers who would like to try the product from having to go elsewhere to find it, and simultaneously maximize in-store sales.

H2: Retailers' responses to

a) wholesale price;

b) trade promotion allowances;

c) consumer advertising;

are brand-specific such that sensitivity to these variables depends upon retailers' brand utility.

a) Wholesale Price

Not surprisingly, the price variable has been shown (e.g., Nilsson and Host 1987) to play an important role in the retailers' decision to list a new product. Lower priced products can generate greater volumes and therefore, compensate for lower per item profits. They can also encourage consumer trial of a new product regardless of brand, thus building the store's assortment reputation with a greater number of individuals. Lower prices will also

contribute positively to consumers' store price perceptions. In addition, especially for new products, lower prices may insure sufficient product movement if other elements of the marketing mix fail to generate demand for the product. Higher priced products on the other hand offer greater per unit profit opportunities if retailers can obtain their usual margin for the item, while achieving desired volumes.

Two potential causes may drive the interaction of brand and price. If retailers believe that consumers are willing to pay premium prices for extensions of stronger brands, then they would also be less sensitive to higher prices for these products. Alternatively, if it is important to list products in order to maintain a reputation for store selection and quality, then retailers will pay little attention to the price of the new product. Under both conditions, the interaction between price and brand strength will be negative.

Implications:

Retailer price insensitivity for strong brands can be used to maximize manufacturers' premium price strategies and contribute to brand equity through greater revenues. Sometimes, retailers may even take smaller margins to remain competitive, or to promote a lower store price perception among consumers.

b) Trade Allowances

Trade allowances and slotting allowances can increase retailers' profits in several ways. If they are passed along to consumers through lower

advertised prices, they may lead to faster turnover. Alternatively, retailers may apply the allowance directly to their profits or use it to cover store promotional costs for the brand. Retailers negotiate these allowances to cover both direct and opportunity costs associated with listing a new product. Increasing retailer power has forced manufacturers in some cases to buy shelf space for new products. Previous research has shown positive effects for allowances on acceptance; however there is considerable variability as to its importance and little indication where these allowances would have the most impact (McLaughlin and Rao 1991, Nilsson and Host 1987).

Brand-specific allowance effects may be either positive or negative and still result in efficiency contributions to brand equity. In either case, owners of strong brands can reduce their spending on allowances without harming the acceptance of the brand relative to weaker brands.

Brand by allowance interactions are negative (Figure 2a) when retailers are less responsive to allowances offered for strong brands. More is better, of course, but allowances contribute less to the acceptance decision for strong brands than for weak brands. Brands that contribute to profits through greater volumes and consumers' assortment values require lower allowances to achieve the same increase in retailers' acceptance. In addition, for brands with greater expected sales volumes, the costs of listing a new product are more likely to be recovered, therefore, the allowance is not as necessary as a source of insurance. Finally, because strong brands have greater power over retailers due to

consumer pull, retailers cannot demand the same levels of support (Porter 1976).

Interactions are positive (Figure 2b) when retailers believe that use of allowances for store promotions has a much greater impact on consumers' store assortment perceptions for strong brands than weaker brands. If the marginal returns to retailers from store promotions are greater for stronger brands (either via product volumes or contributions to consumers' store perceptions), then they will be more responsive to allowances provided by strong brands.

Implications:

Whether interactions are positive or negative, brand-specific responses to allowances will influence the appropriate mix strategy. Extensions of strong brands can be introduced with lower marketing costs because allowances are more efficient or not as important for obtaining shelf space. Reduced costs of introductory allowances at the retail level contribute to brand equity

c) Consumer Advertising

Retailers generally value consumer advertising by manufacturers to pre-sell the product by increasing consumer awareness and utility; thus, reducing retailers' selling costs. Therefore, greater consumer advertising leads to more support from retailers.

Retailers' brand-specific responses to consumer advertising follow a similar pattern as trade allowances. A negative interaction means that retailers

are less sensitive to levels of consumer advertising for strong brands than for weak brands. If retailers expect carry-over from past brand advertising investments to contribute to consumer awareness (although this has yet to be demonstrated in the literature), then retailers' perception of the drawing power of the brand name itself makes advertising less important for strong brands.

A positive interaction occurs when greater marginal effectiveness of advertising is associated with strong brands. An increase in the advertising of a strong brand relative to a weak one may create a much greater salience for the item and stronger resistance to compromise among consumers. When increases in advertising by strong brands provide a much greater incremental value to the retail assortment, there is a greater competitive advantage to those retailers that list the product. Therefore, retailers would be even more likely to accept the product so as not to provide consumers with a reason to visit their retail competitors in search of the item.

Implications:

If the interaction is negative, then owners of strong brand names can reduce expenditures on consumer advertising with little impact on retailers' acceptance decisions. If the interaction is positive then the marginal probability of acceptance is greater for strong brands. Strong brands will experience not only a "bigger bang for every buck" of spending on consumer advertising (derived from the direct brand effect), but they also will achieve an even "bigger bang" the more they spend. This may make it impossible for weaker

brands to catch up. Once again the opportunity exists to reduce advertising expenditures or benefit from increased distribution.

3.2.3 Retail Competitor Actions

In order to maintain a competitive assortment position, retailers will be most responsive to their competitors' actions for brands which are believed to most influence consumers' store perceptions. Retailers may even price those products below cost to obtain consumers' patronage. Retailers will act as if consumers have perfect information on these items because these are items for which consumers are more likely to shop around. If retailers believe that consumers' store choice depends on the availability of a particular item, then retailers will be more responsive to competitors' listing actions for those items.

H3: Retailers' responses to competitors' listing actions are brand-specific such that retailers' acceptance decisions are more sensitive to competitors' listing actions for brands with greater utility.

Implications:

Competitors provide an important selling point for manufacturers. In general, some distribution will lead to more distribution and greater competition among retailers for extensions of high utility brands.

3.2.4 Brand Perception Effects

Performance

Current models of product acceptance do not include brand names but use judgments of expected product volume instead. The brand name is a reasonable basis for inferring these volumes. Volumes of brands in parent categories is one important aspect of the brand that may be used by retailers to infer expected performance. Considerations of indirect effects may also be transferred to brand extensions so that brand names may have an effect beyond the volume associated with the brand.

Furthermore, it is necessary to show that, not only do brands differ in retailers' responses to them, but also brand differences are related to perceived contribution to store performance in parent categories. Demonstrating the relationship between the core brand perceptions and measured brand utility is the final step in demonstrating that distribution is a source of brand equity based on retailers' value for the parent brand.

H4: Perceptions of brand volumes, competitive clout, and traffic contribution for parent products are positively related to retailers' brand utilities for brand extensions.

Implications:

Relating measured brand utility to associated parent brand perceptions validates the brand utility measure and the construct itself. It also provides an

opportunity to explore the bases for building and maintaining brand utility with retailers.

Fit

Lack of perceived fit between parent products and extensions is expected to reduce the appropriateness of the parent product as a basis for retailers' inferences concerning the new products (Tauber 1988, Aaker and Keller 1990). High levels of product acceptance require both positive perceptions of the parent product and good fit.

H5: Retailers' response to brand extensions are positively related to the perceived fit of the extension with the parent product and/or the interaction between fit and brand utility.

Implications:

Brands having high retailer utility must be perceived as providing features or benefits that are valued by some segment of consumers in the extended category. Extension strategies, therefore, must consider fit with retailers' current customers in the selection of new categories.

3.2.5 Category Growth / Volume

Retailers will carry more brands in higher volume categories because each brand has a greater probability of achieving sufficient turnover and because these categories are more likely to be salient for consumers. In

addition, for growing categories, a new item may further increase the consumer demand for the category by adding features or brand names that are valued by new consumers. Cannibalization of current items is less pronounced in a growing category, because new items may be purchased by customers new to the category as well those who are switching among existing products in the category.

Categories with fewer competitors will also improve the chances for product acceptance as there is a better opportunity for a new item to achieve reasonable volume and market share.

H6: Judgments of

a) greater category volume;

b) greater category growth;

c) fewer number of competing brands;

increase overall rates of product acceptance.

Implications:

Choice of category for extension should consider volume, competitiveness and growth of the category. Brands will more likely obtain distribution when introduced in higher volume and growing categories. Higher utility brand extensions will more likely be accepted than those of lower utility in highly competitive categories.

4. Method

4.1 Issues and Objectives

The proposed framework for brand equity creation identifies the constructs to be measured for an empirical test of the hypotheses. The objective is to observe the relationship between brand name and retailer product acceptance to show that competitive advantage in distribution is a source of brand equity. Therefore, empirical information is required which can demonstrate the nature of brand name returns in the retail context in a way that controls for marketing mix decisions.

To test these hypotheses, a sample of retailer decision makers in a multi-brand situation is required. "Retail decision makers" and "retailer decision makers" are often not the same in retail chains. In retail chains, the chain's buyers are not retailers themselves and often are not at the retail location. While there may be retailer participation into the decisions made, retailers report that the decisions made are not necessarily those that they would make. Past research has generally utilized retail chain buyers (Rao and McLaughlin 1989, Ettenson and Wagner 1986).

Independent retailers, who make their own listing decisions, are an alternative to chain store buyers or store managers. The independent retailer is closer to the consumer than wholesaler or chain buyers. Independents have the

autonomy to make listing decisions[1] and this autonomy is increasing (Progressive Grocer 1992, p.16). They base their listings on the products available to them from the wholesale with which they deal or independent jobbers. The independent retailer's decision making is limited to the extent that wholesale buyers must first choose to list a product before it is available to them, but retailers may also request a wholesale listing.

Information obtained from retail respondents should reflect the outcome of the brand equity creation process. Retailers' acceptance response is a necessary condition for the generation of incremental returns to the brand asset: brand equity. By observing retailers' responses instead of brand equity cash flows themselves, it is possible to explore the nature of the different sources of brand equity, unencumbered by the complexity of the relationship between all possible causes of cash flows and actual cash flows themselves.

The existence of multiple sources of returns and company specific factors such as costs, margins, and tactical marketing mix decisions complicate the relationship between specific sources of cash flows and observed financial returns. For example, Smith's (1991) examination of the impact of brand strength on sales-to-advertising-cost ratios ignores the possibility of reverse causality, that is, sales determining advertising budgets, or possible recursive relationships between brand strength, advertising budgets and sales. Some firms

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[1] In some cases, where the independent retailer belongs to an association or franchise which operates a common advertising program, the retailer will have to list advertised items.

may maximize their potential returns from distribution through judicious management of the distribution process while others do not. The purpose of this research is to assist firms in doing just that. Therefore, observing the returns themselves may reflect the quality of management decision making as much as the value of the brand name asset.

The estimation of the effect of the key independent variable in the model, brand name, should control for the effects of other possible causes of returns, such as product attributes, consumer advertising or trade promotion. Again, it may be possible that the returns attributed to the brand asset may be due to good management of the marketing mix and/or availability of resources to support marketing activities. Therefore, any study of brand equity needs to control for product attributes and other marketing mix tactics.

In choosing to study brand equity, a central methodological problem is isolating the effect of brand name from the effects of other product features. To determine the brand name utility it is necessary to control for utility attributable to quality and other inherent product features that remain the same, even if the name were to change.

Kamakura and Russell (1993) attempt to control for physical product attributes by measuring attribute perceptions of the brands of interest. Unfortunately, rather than controlling for product attributes, the attribute perceptions themselves may be influenced by the brand name associations, as in halo effects. Other researchers (e.g., Keller 1993) avoid this problem by

utilizing hypothetical brand names. By providing respondents with background information the intention is to create associations and value for the brand name. However, it is not clear whether one can simulate the creation of brand value in a laboratory setting with a one or two paragraph description. It has generally been accepted (although there is no research in the area) that brand values are built up over time through product experience, familiarity due to availability at retail locations, advertising, promotions, word-of-mouth communication, and other forms of contact with the product. If one wants to measure brand values and the results of the process that creates this value, it seems that one would be on firmer ground to use existing brand names.

Fortunately, brand extensions provide an opportunity to study the effects of the brand name independent of the characteristics of the actual product. Associations carried over to extensions are based on associations with the core or parent brand and their appropriateness or fit in new categories. Thus, whatever value exists for the brand name in the new category is attributable only to the brand-specific associations. At the same time, brand extensions also represent a growing area of strategic interest to marketers. Not surprisingly, brand extensions have received the attention of many brand equity researchers.

A further issue in operationalizing the brand name construct is related to the definition of brand equity as an incremental effect. The question is -- relative to what. Generally researchers have used as the measure of the value

for the brand the difference between branded and unbranded products or real brands and hypothetical brands (Jones 1986, Barwise 1993, Keller 1993). However, it is questionable whether in fact, unbranded items, particularly in the consumer packaged goods sector, are truly unbranded in the mind of the respondent. Although there may be no brand name per se, the product may be identified with a specific store based on the labelling and package colour, in which case, they become an additional *de facto* store brand. Consumers and retailers have associations for these items based on their experience with other "no name" products carried by particular stores and knowledge of the stores' assortment of these and other items.

Fictitious brand names also present difficulties as a basis of comparison. Names selected to represent brands, in and of themselves, may have some connotations of value. Research supports consumers' preferences for fictitious brand names that are positive, memorable, etc. (see Zinkhan and Martin 1987, Robertson 1987). Thus, the incremental value between two brands would have to account for the explicit value of the name of the comparison brand.

There is also a certain novelty effect in seeing something for the first time. It is unlikely that consumers or especially retailers would encounter a brand name for the first time when making an actual decision. It is more likely that they would have heard or seen the name before in some form of consumer or trade advertising if it is a new product of any consequence. If familiarity

leads to liking, then what degree of familiarity would be appropriate in this context?

An alternative basis of comparison is one that reflects competition in the core market. Brasco (1988) recommends that "the [acquisition] value of a brand name is based primarily on its superior ability to generate cash flows compared to other brands in its market." A measure of brand value to retailers that is relative to other competing brands has the benefit of recognizing the central role of brand name strategy in achieving competitive advantage.

A total product utility approach to the estimation of brand name considers marketing mix components of the product, thereby controlling and identifying other sources of returns (Simon and Sullivan 1993 and Swait et al. 1993). Relevant independent variables such as marketing mix elements, and retail competitor's listing actions, should ideally be independent of brand name to estimate the separate effects of each. If brand strength is confounded with consumer advertising, for example, it is impossible to evaluate which variable is driving the observed response or what might occur if alternative, perhaps more cost effective, strategies were employed. In addition, to determine whether brand-specific marketing mix effects exist, the main effects of brand name, mix and competitor actions should be independent of the interactions of brand name with other independent variables.

4.2 Research Approach

The effects of brand name on retailer acceptance decisions were examined using a survey of independent retail grocers. Retailers were asked to respond to hypothetical brand extensions of real brands as well as to provide brand perceptions and store characteristics. Hypothetical descriptions of extensions were created using an experimental design that systematically combined five attributes: brand name, wholesale price, promotional allowance, advertising support and competitor's actions. Attributes were selected based on the literature and informal discussions with retailers, wholesale staff and manufacturers' sales representatives. Discrete choice analysis of retailers' hypothetical product acceptance measured the impact of brand name together with the other attributes

Experimentally designed alternatives enable one to estimate the effects of brand names on retailer decisions apart from other marketing variables that may be highly correlated in practice. For example, some brands may always use the same discount level for new product introductions, or levels of advertising support may be tied to promotional allowances. Previous observational studies have used self reports of product inferences either at the time of a purchase decision or some time later to determine the values of decision criteria (e.g., Rao and McLaughlin 1989). The measured impact of introduction strategies in such cases was confounded with industry practice and category factors because there typically are few observations within a narrowly

defined product category. Experimentally designed products, however, provide the opportunity to examine many possible options independently, and not just strategies employed in the past.

Besides ecological correlations in observational studies, there may be a tendency to justify decisions in self reports that further obscure the true decision process. In this regard, a choice experiment enables decision makers to make a series of tradeoffs using information they would normally have available and report only a final choice, like they would under normal circumstances.

Of course, one must recognize that, like every experiment of this type, using pencil and paper responses to hypothetical situations may not be the same as actual decisions in the field. A possible loss in external validity is traded off to obtain the control that such experiments provide. Having said that, there is strong support in the literature for the predictive validity of choice experiments. Louviere and Woodworth (1983) report supportive validity evidence for choice experiments. Levin, Louviere, Shepanski and Norman (1983) provide considerable support in the general area of conjoint measurement.

The brand names employed in the hypothetical extensions used in this study were real, not hypothetical brand names, to better capture the results of the brand equity creation process. It was further decided not to value brands relative to an unbranded or fictitious product, but to use competing brands. The

brands themselves were selected to represent a range of retail volumes in a particular category.

4.3 Sample

Independent retail grocery store owners were chosen to represent retail decision makers because of their close relationship to consumers and retail operations, and their independent decision making. In the Canadian and American retail grocery sector, independent retailers represent over 50% of sales (Statistics Canada 1989, Progressive Grocer 1992).

The support of an Alberta-based wholesale association of independent grocers was obtained before development of the survey. They provided access to retailers for exploratory personal interviews and survey pretesting as well as information concerning product prices and volumes. After several months of waiting for approval to go ahead with the questionnaire, it became apparent that the organization did not share the researcher's time priorities.

An alternative sample frame was obtained with the cooperation of the president of the Canadian Federation of Independent Grocers (CFIG). This organization represents 28,000 independent retail grocers of all sizes across Canada. The cooperation of this organization enabled the identification of independently owned and operated retail stores of supermarket size, eliminating the need to qualify respondents on these criteria. Given that store size and

ownership are not always apparent and there are hundreds of thousands of grocery stores in the country, the cooperation of the association was invaluable.

Thus, with the support of the Canadian Federation of Independent Grocers (CFIG) survey data were collected from approximately 500 owner/managers of supermarkets[2] in British Columbia, Alberta and Ontario in June-September 1991. A second mailing to an additional 200 supermarket owners in Ontario and Manitoba took place in January 1993.

These independent grocers make their own listing, ordering, merchandising and price decisions. Some of these retailers participate in shared advertising and signage programs, but no single "chain" philosophy is represented. Stores of supermarket size were selected because they list more items than convenience or corner stores. Therefore, they make listing decisions more often and have the space to accommodate a higher probability of product acceptance.

CFIG policy prevented their mailing list being made available to the author; therefore, the first mailing was addressed and sent from CFIG's head office in Ontario. Unfortunately, this prevented personal addressing of respondents as well as individual follow-up with non-respondents. For the second mailing, in 1993, the association reconsidered their mailing list policy and agreed to provide a sample frame directly to the author, allowing personalization of the survey and follow-up contacts.

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[2] CFIG defines a supermarket as having at least 5,000 square feet of selling space.

The sample size determination for binomial logit models is not straightforward, because the outcome is discrete and the parameters estimated are regression coefficients, not means or proportions. Ben-Akiva and Lerman (1985, p.245) suggest that "the optimum sample for estimating the parameters of a discrete choice model will depend on the values of the unknown parameters." Hensher and Johnson (1981 p.228) derive the sample size formula for a binomial outcome as follows:

$$Q = \frac{Q^* R^2 (P(1-P))}{Q^* \Phi^2 + R^2 (P(1-P))}$$

where

Q is the desired sample size;
Q* is the population size;
R is the reliability or Z value for the chosen level of significance;
P* is the population proportion;
P is the sample proportion;
Φ is the maximum deviation desired between P* and P.

Unfortunately, the population size is included in this equation. Given that there are many possible hypothetical products and over 100,000 Canadian independent grocers, this formula would require an intractable sample.
It was decided therefore, to use the regular formula for determining sample size for proportions based on:

a) a binomial outcome - retailers were asked only to accept or reject a single alternative at a time;

b) a maximum standard deviation of .5 given a binomial outcome;

c) two-sided level of significance of .05 adjusted for repeated measures (see section 4.8 for discussion (Z=3))

d) desired tolerance for the probability within $\pm$0.075 (which translates to a tolerance for the coefficients of $\pm$0.30 based on the logistic relationship between the probability of an outcome and the parameters (see Appendix 1).

The desired sample size therefore, was at least 400 observations. This provides power for a binomial test of at least 85% (see Appendix 1 for details). Because each respondent provided 27 choices for each category, the minimum number of respondents per questionnaire version was 15, for all three versions of the questionnaire. (see Procedure section).

4.4 Procedure

Because of the complexity of information to be presented, a telephone survey was ruled out. The unavailability of personal computers at all stores, and distances among stores precluded interactive computer data collection or personal interviews. Therefore, a mail survey was employed.

The questionnaire itself was designed in a booklet format following the recommendations of Dillman's Total Design Method (1978). The cover letter and reminders also followed Dillman. Support for the success of this approach in creating a user friendly instrument, both from the perspective of the researcher and respondent, and its impact on response rates has been

corroborated by Paxson (1992). (See Appendix 2 for questionnaires, cover letters and reminders.)

Two waves were employed for the first mailing. The first occurred in June 1991 as part of a regular CFIG mailing to 180 Alberta retailers. It included a survey booklet, a short letter from the president of CFIG encouraging participation, and a lottery ticket incentive in approximately two-thirds of cases. A card thanking the retailer for participating in the study had a lottery ticket attached to it. The ticket itself was a "scratch and win" government lottery, with no expiry date that cost $1.00 and offered prizes up to $50,000. Previous research has shown incentives to be successful in increasing response rates with industrial respondents (Jobber 1986). The front cover of the survey included a suggested response date. Unfortunately, due to mailing difficulties at CFIG and a mail strike at Canada Post, many retailers did not receive their surveys until after the response date. A further mailing to 300 Ontario and British Columbia retailers in September was sent by itself, with the same letter of support from CFIG, in a Simon Fraser University envelope. It did not include a response date and provided lottery tickets for only half the mailings. For both groups, CFIG's next monthly mailing included a card reminding recipients to respond to the survey.

The questionnaire for both waves in the first mailing contained the complete task for each of three extension categories to maximize category replications and minimize the required number of respondents

The second mailing, the purpose of which was to address the non-response short-comings of the first mailing, took place in January and February 1993 and contained the task for a single category. Because the sample frame was available, it was possible to personalize the address and salutation for the survey cover letter and all follow-up contacts. Follow-up mailings included a reminder postcard and a second mailing of the survey with a stronger reminder letter. Based on the lack of response effect for the incentive from the first mailing, no incentive was included with the second mailing.

4.5 Response Rate

Mailing #1:

Of the 480 surveys sent out, 51 usable surveys were returned, or a 10.6% response rate. Three additional surveys were unusable because one was incomplete and two had no variability among acceptance responses in the choice task. The Alberta mailing produced 24 responses; 23 were from the larger B.C. / Ontario mailing. Four more responses were obtained from personal deliveries in Alberta and the Vancouver area. The response to the incentive in the second mailing was not different from the no-incentive mailing: eleven responses in both conditions.

In an effort to increase the number of responses, personal visits were paid to 12 Vancouver area retailers who would have received the mailed survey. One store had already mailed in their response and two more responses

were obtained from follow-up visits to the stores to pick up the surveys. Response to the personal appeal was not significantly more successful than the mail survey. Usually, retailers refused to participate even before seeing the survey instrument. In two cases promised responses failed to materialize. Responses to the personal appeal typically included "too busy" and a general lack of appreciation for academic research. In addition, from the limited pre-test conducted with Alberta retailers, the post-survey reaction was that while the instrument was fairly long it was interesting and took no more than twenty to thirty minutes to complete. Because it was not possible to contact respondents or non-respondents directly, a direct analysis of potential non-response bias was not feasible.

However, some degree of commensurability may be inferred from similarities in the characteristics between the respondent stores and the population. A study reported in Canadian Grocer (1992) magazine sponsored by the Canadian Council of Grocery Distributors and the Food Marketing Institute reported median weekly sales for conventional supermarkets of $120,000 in 1991. The mean weekly sales for the sample of 51 stores (n=40, 11 stores did not report sales) was $111,900. Statistics Canada did not report average sales for independents but they did report average weekly sales for small chains of 4-9 stores. Average weekly sales in 1989 were $100,835. If we use the sales growth data from the Canadian Grocer report, of 2% in 1989-90

and 1.4% in 1990-91, we could estimate 1991 weekly sales at $104,250, based on Statistics Canada definition of supermarkets and grocery chains.

Mailing #2:

The second mailing, with its shorter questionnaire and greater follow-up achieved a much higher rate of response. Of 196 delivered surveys 86 usable responses were received for a 43.9% response rate. Eleven unusable surveys included one that was received after the data analysis was mostly complete; three that had no variance in the acceptance task and seven were incomplete. Thirty responses were received after the initial mailing, an additional thirty after the reminder and another 26 after the survey was mailed again to remaining non-respondents. Average weekly sales were somewhat higher for the second group, $141,000, but some increase was expected due to inflation, economic growth and higher average sales in Ontario (Canadian Grocer 1992). A t-test for the differences between the mean sales for the first mailing and the second showed no significant difference between the groups without adjusting for inflation or growth (t=0.204 prob= .595).

4.6 Data Collected

Three existing brands were selected for each of three core product categories. These brands were then extended into three extension categories for each core category. This resulted in 27 brand extensions in total. Figure 3 shows the categories and brands used as extensions. The purpose of the

multiple extensions from multiple core categories was for generalizability rather than for the development of any theory about why extensions may be successful in some categories.

Assumptions with respect to fixed or random effects are required. If the existing categories and extensions are assumed to be a sample of all possible categories then a random effects model is required. However, because the categories were not chosen randomly, even though they only represent a fraction of possible categories, a fixed effects model was applied. This makes the analysis more straightforward but it limits the generalizability of the results on statistical grounds.

The parent categories were selected to represent the major retail groupings of household cleaners, grocery, and health and beauty aids. These are the areas where nationally branded goods are most prevalent and new product introductions are fairly common. Each category had to have several brands that could be extended. The brands chosen for extension represented a range of volumes (based on wholesale rank order volume information); had no extension in the categories selected for extension; and were reasonable candidates for extension based on fit. (e.g., Head and Shoulders Dandruff shampoo might seem unreasonable as a body lotion or deodorant). Extension categories provided reasonable fit in areas where the brands had not already been extended. The determination of "reasonable" was based on the author's

judgment. However, to control for retailers' perceptions, fit perceptions were included in the models as covariates.

The first mailing instrument included three extension categories (one from each of the originating categories), resulting in three instrument versions. Each version of the questionnaire contained only one extension category from each core category to reduce possible halo effects (see Table 2). Combinations were determined randomly.

The second mailing included only the all-purpose spray cleanser category. This category was selected because it had the largest brand and brand-mix interaction effects, therefore, it would be the best case to test if the initial results obtained were due to lack of power. Also it was a higher growth category, and therefore, more likely to be of interest to retailers to improve response rates.

The survey instrument obtained the following information:

1. Acceptance of Hypothetical Brand Extensions

For each extension category, retailers were presented with 27 conjoint profiles of hypothetical products and asked whether they would list each or not. Each profile included one of the three brand names, and one of three levels of each of wholesale price, promotional allowance, consumer advertising support, and retail competitor action. (See Table 3 for descriptions of attribute levels.) These variables and levels were selected because of significant effects found in

the literature, and discussions with wholesale staff and retailers. The list of attributes did not include slotting allowances because they generally are not paid directly at the retail level. In addition, there is some uncertainty within the Canadian grocery trade as to their legality and ethical standing (Oakes 1992).

The design for the acceptance task incorporated main effects and interactions between brand name and price, allowance, advertising, and competitor activity as required to test the hypotheses. A main effects fractional factorial design for the marketing mix variables generated 9 treatments that were then crossed with the three brands to create 27 profiles.

A choice between accepting and rejecting the hypothetical listing was used for the dependent variable because it not only reflects the decision of interest but also minimizes scale usage differences between respondents.

2. Retailers' Perceptions of Core Brand Performance

Retailers' perceptions of core brands as they currently exist with respect to direct and indirect contributions to total profit were obtained using a constant sum allocation task. They provide scale values for brand performance relative to other brands in the category.

Betancourt and Gautschi's (1988, 1990) retail assortment framework and Albion's (1983) work on retail pricing identify five components of total retail profit:

a) sales volume

b) margin

c) competitive clout (ie. the sum of cross price effects of target brand on all other brands in the category)

d) competitive vulnerability (ie. the sum of cross price effects of all other brands on the target brand)

e) usefulness as a traffic generator when promoted.

Discussions with industry people suggested that for the most part margins are constant across products in the same broad product areas, so that the impact on direct profits is largely via sales volumes. The other factors are sources of indirect profits. Brands with high competitive clout greatly increase their market share, volume and turnover during price promotions. On the other hand, brands with low competitive vulnerability exhibit strong consumer loyalty in the face of price promotions of other brands. A brand that has high clout, low vulnerability and is a strong traffic generator provides the greatest indirect contribution to sales.

The use of a constant sum scale to measure relative brand perceptions has several advantages. First, the comparative nature of the constant sum scale is consistent with utilities estimated from the choice task that are also

comparative as they are essentially differences in utilities among the brands. In addition, the constant sum scale can be transformed by taking the log of the odds ratio of the brands relative to one brand. The purpose of this transformation is to provide consistency between the covariate values and the dependent variable in the MNL regression, choice probability, which is transformed in a similar manner (Domenich and McFadden 1975). Second, because the constant sum scale encourages between brand comparisons, it highlights distinctions (McDaniel and Gates 1993) and eliminates halo effects which carryover from one judgement to the next which often occurs with interval rating scales (Churchill 1991). Third, it is generally considered easy to use by respondents when there are few brands involved (Green, Tull and Albaum 1988,p.291). Fourth, it minimizes, to the extent possible, differences in scale usage between respondents. By asking respondents to allocate 100 points among the alternatives such that the points reflect the relative contributions of each brand, a scale is produced which has the same origin and range for each respondent. It should also be noted that Reibstein (1978) and Haley and Case (1979), among others, used these scales and found that these scales represent a valid response measure that is more closely related to behaviour than many interval scales.

3. Measures of Fit with Current Customers

Perceived fit between the parent brands and extensions were measured on three constant sum allocation scales. The first scale measured retailers' judgments of consumers' value for the applicable benefits or features of the parent product in the extended category. With information that positioning of the extended products was similar to that of parent products, retailers should infer the characteristics of the extensions based on the parent products. The second question addressed the appeal of the extension to the same consumer segment as the original product. Extensions may be valued by a particular segment without necessarily sharing specific product characteristics (although they may share higher order characteristics such as quality). They may be companion products in a similar usage situation or products directed to already loyal consumers. The third component of fit has to do with the capability of the manufacturer to produce the extended product. The extended product may have desirable features and a ready-made target segment, but if the manufacturer is not seen to be a capable producer, then the transference of value to the extension would be unlikely.

These dimensions are based on those identified in Tauber's (1988) sample of brand extensions that were most appropriate to the products used in this study. They are different from the similarity, substitutability, complementarity, and competence questions used in previous research (e.g.,

Aaker and Keller 1990, CBS 1987) in that they are more specific to retailers and the products studied.

4. Characteristics of the category, store and market conditions

To explore some basic category effects, a relative measure of category growth and category volume was also included. The questionnaire for the first mailing, which incorporated extensions from three different parent categories, obtained a constant sum allocation among the three extension categories. This information, however, did not suit the purpose for which it was intended for three reasons. (1) The appropriate basis of comparison should be each category relative to the rest of the store, not the other categories in the particular version of the survey they received. How these categories performed relative to the other two selected categories is most likely irrelevant. A given category may not have reflected strong growth if it was compared to another category that was exceptionally strong or vice versa. (2) The analysis of category growth and volume was conducted between individuals/stores not categories, such that observed differences between stores with respect to category growth or contribution to volume might explain differences in overall acceptance probability for all brands. (3) Because the basis of comparison was different for each version of the questionnaire, retailers compared only categories for which they evaluated extensions, and not all possible extensions. Therefore, between category comparisons could not be made given these criteria.

The questionnaire for the January 1993 mailing was revised so that retailers were asked directly to provide the percent growth rate for the extension category. To get a sense of the effect of direct competition on acceptance rates, retailers provided the number of products currently listed in the category, instead of contribution to store volume, which was not expected to vary much between retailers. Again, because this data was available only for one extension category, this information could only be employed for between-retailer comparisons.

Although the limitations for the category questions are disappointing, the objective of this research was not to explain between-category differences in acceptance behaviour. Hence, as a practical matter, this measurement limitation has no impact on the hypotheses tests of primary interest.

To control for store characteristics in a post hoc fashion, retailers also provided distances to major competitors and approximate average weekly sales. Specifically, retailers identified their most important competitor(s), to a maximum of four, and the approximate distance of the competitor from their store. Four competitors were believed to be sufficient because informal discussions with several retailers as well as consumers found that the number of important competitors was usually limited to one or two. The PIMS database, for example uses three. The information obtained was then coded into three variables for each store: number of stores closer than one mile; closer than five miles; and further than five miles. These categories were chosen to

reflect the important contribution of location to retail competition, recognizing that consumers could more easily make comparison between very close competitors compared with more distant competitors.

As a summary variable to account for store size and activity, retailers were asked to provide approximate store sales volume in dollars per week. Trade publications and retailers commonly used this metric to describe store activity. The January 1993 questionnaire also included a specific question on store size and selling space. The correlation between total store size and selling area was .997 and the correlation between size and sales volumes was 0.874, which suggested that one variable could usefully capture the size/activity effect.

Retailers also were asked to which signage program they belonged. Where independent retailers use a common wholesaler and share some promotions they often share a common store identification such as IGA, or Super A. The purpose of this question was to determine if there were any signage or wholesaler effects on acceptance rates. Unfortunately there were too many signage programs across the country given the number of respondents to usefully analyze any possible effect.

4.7 Dependent and Independent Variables

Dependent Variable

For the acceptance model the dependent variable is a binary response indicating the acceptance or rejection of the extension alternative.

Independent Variables

1. Brand name utility was measured by the brand name coefficients for the three brands from each choice experiment.

2. Marketing mix variables: wholesale price in dollars; trade promotional allowance as a percentage discount; qualitative descriptions of consumer advertising.

3. The levels of retail competitor activity

4. Brand name - marketing mix and competitor interactions

Covariates

1. Brand name covariates are the five constant sum scales describing brand performance: volume, margin, clout, vulnerability, and traffic. Brand fit covariates are the three fit scales, similar features/benefits, similar customers, and similar manufacturing quality. The constant sum scales were transformed by taking the log of the odds ratio of each brand relative to one constant brand for that extension.

2. Overall acceptance rate covariates included category volume, and number of currently listed brands for the January 1993 questionnaire. In addition store sales volumes in thousands of dollars per week, was included as a covariate for all extensions.

4.8 Model Estimation

The non-stochastic utility component of a particular brand extension may be expressed as follows:

$$V_{inc} = B_j + a_l M_{li} + dR_i + g_{jl} B_j M_{li} + t_j B_j R_i + h_k P_{kin} + g_q F_{qin} + w_t C_{tn} + m_f S_{fn}$$

where

V_{inc}	is the systematic utility of product i for retailer n in choice set c;
B_j	is the brand constant for brand j
M_{li}	is the marketing mix element l for product i;
R_i	is the listing action of retail competitor for product i;
P_{kin}	is the brand performance perception k for product i;
F_{qin}	is the brand fit perception q for product i;
C_{tn}	is the category descriptor t for retailer n;
S_{wn}	is the store descriptor f for retailer n;
a_l	is the coefficient for mix element l;
d	is the retail competitor action coefficient;
g_{lj}	is the coefficient for the interaction of brand j and mix element l;
t_j	is the coefficient for the interaction of brand j and retailer action;
h_k	is the coefficient for performance perception k;
g_q	is the coefficient for fit perception q;
w_t	is the coefficient for category descriptor t;
m_f	is the coefficient for store descriptor f;

A separate acceptance model was estimated for each extension category (nine in total) using Multinomial Logit Regression for the accept/reject decisions. Categories were not aggregated because the individual category models demonstrated considerable variability. This is consistent with the evidence from the McLaughlin and Rao (1991) analysis where the category effects were among the few significant effects found in their conjoint study. Since the decisions are made for a specific category, it seems reasonable to model the unique category effects.

Because of the inclusion of retailer-specific covariates, analysis was conducted within individuals and product profiles were not aggregated into choice frequencies. As a result, the total number of observations across all nine extension categories was 15,498. (27 choice sets x 2 alternatives in each set x the number of respondents in each extension category.) Table 4 provides the number of respondents and observations for each of the nine extension categories.

A disaggregate approach generates the same parameter estimates and standard errors as completely aggregate approaches, however, log likelihood values from the estimation are higher due to the larger number of observations.[3] Because the appropriate hypothesis test for maximum likelihood models is the likelihood ratio test between nested models, the effect on the likelihood ratios is the same for the restricted and unrestricted model. There are differences however in the acceptable values for rho-square. Rho-square is a goodness of fit measure akin to R^2 in linear regression (Ben Akiva and Lerman 1983).[4] Values greater than 0.2 are generally considered acceptable and translate into aggregate fit values greater than 0.7.

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[3] A completely aggregate estimation has as many observations as alternatives in the choice task. A disaggregate estimation utilizes the choice task alternatives for each respondent, thus the number of observations becomes the number of respondents times the number of choice alternatives.

[4] Rho square= 1- [LL(B)/LL(0)] where LL(B) is the log likelihood of the estimated model and LL(0) is the log likelihood of the null (all coefficients = 0) model.

Binomial logit models were estimated using "NTELOGIT"[5] which estimates the parameters of logit models by the method of maximum likelihood. Each choice set included one experimentally designed new product offering, and the base alternative for each choice set was designated as rejection of a new listing. Coefficients can be interpreted as contributing to listing acceptance relative to not accepting a product.

Brand name and competitor action effects were estimated using effects coding (1 0 -1); marketing mix effects utilized polynomial coding to reflect the ordinal nature of the attribute levels. The utility values of the independent variables are the coefficients multiplied by their codes.

The additional data collected from the second mailing for all-purpose cleaners was combined with the observations from the first mailing for a total of 106 respondents for this extension. They were combined because the store sales were not significantly different and the Swait-Louviere scaling factor test indicated that there were not significant differences between the models of the two mailing groups.

A limitation of the data analysis is its lack of consideration of the repeated measures nature of the data. Unfortunately, there are no commercial or other available software products that account for the lack of response independence between alternatives evaluated by each respondent. Thus, all experimental choice models and conjoint models published in the literature

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[5] NTELOGIT is a product of Intelligent Marketing Systems, developed by Joffre Swait.

share this limitation. Treating repeated measures as if they were independent produces consistent estimates of coefficients, but the standard errors are too small. Professor Don Anderson, of the Department of Statistics of the University of Wyoming (personal communication 1993), suggested the use of a chi-square test to determine how dependent the choice responses were between alternatives. This test was conducted for all three extensions in the detergent core category. Independence is rejected for fewer than one third of the 351 tests on pairs of alternatives. Despite the large degree of independence, the critical values have been multiplied by 1.5 as suggested by Professor Anderson on all the tests reported herein.[6]

5. Results

5.1 Main Effects of Brand Name and Marketing Mix

Table 5 contains the parameter estimates for the new product offering attributes from the main-effects/linear and interactions/quadratic model. All models pertain to the log odds of choosing to list a product relative to not listing any product. Coefficients represent the utility contribution of one attribute level relative to others.

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[6] An unpublished dissertation in the Department of Statistics, University of Wyoming (Montipoli, 1992) suggests that, based on empirical observation, the amount of understatement of standard errors varies among data sets, but a conservative inflator would be 1.5 times the standard error, not the square root of the number alternatives as earlier suggested by Woodworth (Louviere and Woodworth 1983).

Generally brand and linear marketing mix main effects were significantly different from zero and in the expected direction. For all nine extension categories, likelihood ratio tests (α=.05, df=26) rejected the null hypothesis that all coefficients were equal to zero. In addition, weighted variance of residuals were in all cases within acceptable limits (Swait 1991), and rho square (and adjusted rho square) values indicated reasonably good model fits with values of most models between 0.2 and 0.25.

Brand names generally made a significant contribution to the decision to accept new listings (that is, there were significant differences among brands for this contribution). Only in the deodorant and lotion conditions were differences among brands not significantly different from zero. In addition, the brands expected (based on the Alberta wholesaler volume rankings) to have the greatest positive impact on probability of acceptance had the most positive effects.

Brand name was the most important determinant of product acceptance in the all-purpose spray cleaner category. Table 6 presents the relative importance of brand names and other marketing mix variables for all extension categories. Relative importance in these models is determined by the range of the coefficients for the levels of one attribute relative to the ranges of all other attributes.

There is considerable variety in the impact of brand among the different categories. The best comparisons are among extensions from the same core

category, (detergent, juice, shampoo) because they share the same brands. Two things may contribute to the differences among categories in the importance of the brand variable. First there may be differences between how retailers view what is important in different categories. Second, there are differences in perceived variability among the brands across the core categories. If different brands were selected, different results might be obtained.

For the most part, retailers' decisions were dominated by promotional allowances and advertising; not surprisingly, they preferred more to less in a linear fashion. This was not unexpected, given the results of previous studies and the huge expenditures allocated by manufacturers to trade allowances and consumer advertising. Consumer advertising builds product demand, and promotional allowances reduce retailers' costs of telling consumers that it can be obtained in a given store, strengthening inter-store competition. The strength of these decision criteria may also be due in part to the inclusion of an extremely negative level (no allowance, no advertising) which may be rare in actual product introductions. These levels were included because although they may be rare in practice, they may represent opportunities for future strategic decisions.

Retailers preferred low-priced products to higher prices which reflects their concern for buildings sales volume instead of per item profits. If they generally maintain constant margins across price levels and across brands (which is supported by the covariate information) then retailers are choosing to

maximize volumes instead of total profit (which would also consider the amount of per item profit). This is consistent with the findings of Nilsson and Host (1987) but not with Rao and McLaughlin (1990) who found the reverse -- retailers desiring higher priced products. However, their results were based on information obtained across many categories, and perhaps may be more appropriately interpreted as retailers being more likely to list higher price categories, but in a given category, they prefer low prices. Maximizing volumes contributes to profits, and for new products, also maximizes opportunities for customers to try new products. This contributes to favourable evaluations of assortment and price perceptions. In addition, low prices provide some insurance against having to further cut margins or even take losses to clear out poorly moving items. It appears that all brands, regardless of strength, may require some demand insurance.

5.2 Brand by Marketing Mix Interactions

All brand by marketing mix interactions, in all nine extension categories, regardless of sample size, failed to achieve significance in individual t-tests of coefficients or for likelihood ratio tests (α=.05, df=14) (Table 5). Thus, the addition of quadratic main effects and brand by mix interactions did not significantly improve the ability of the basic model to explain retailers' acceptance decisions.

As with any null result, there may be several reasons for the lack of significant effects. The first question to be addressed is whether the research design was appropriate to detect interactions. In this research, because the acceptance models were estimated from experimentally designed alternatives, there is no question that the models were capable of detecting interactions if they existed. The hypothetical extensions were specifically designed to allow estimation of all brand by mix and competition interactions. Revealed preferences based on actual acceptance decisions may not include enough different combinations of brands with alternative marketing actions to provide unbiased and efficient estimates of interactions. For example, if strong brands use only high levels of marketing mix variables then it is impossible to measure retailers' sensitivity to changes in marketing strategy and subsequently forecast what may happen if they change their strategy to reduce marketing costs.

The second possible source of null results is lack of power due to small samples. For this study, the number of retailers observed for a specific extension ranged from 15 to 106. However, because each retailer provided information on 27 hypothetical extensions, the number of observations used in the estimation ranged from 405 to 1,536. Even the smallest sample provides a power level of 85% with a tolerance of 7.5% (see Appendix 1 for calculations). In addition, when the number of respondents was increased from 20 to 106 for the all-purpose cleaner extension, the results did not change with respect to

significance of interactions. In addition, the Swait-Louviere scaling factor was equal to one, indicating no significant differences between models for the two samples.

The third reason for null results is that there is, in fact, no effect. While null results cannot confirm non-effects, the lack of significant interactions in all cases raises serious questions about assuming their existence.

The absence of significant brand by marketing mix interactions is counter to the proposed hypotheses. One would expect that because Tide, for example, exhibits lower within-store price sensitivity in the core category, a price increase would have a smaller effect than for a weaker brand. Also, because Tide is a "stronger" brand, any increase in consumer advertising and store advertising and merchandising would be more valuable than a similar improvement by ABC, a weaker brand.

There appear to be no differences in sensitivity to price, promotional allowance or advertising among brands. Evaluating each criterion independently means that retailers see other marketing variables as important for strong brands as they are for weaker ones. Thus, there is no evidence to support any expectation of "increasing returns to brand strength" for distribution.

5.3 Brand by Competitor Actions Interactions

Competitors' actions also had a significant effect on retailers' listing decisions. Again, in keeping with the literature in product acceptance and

pricing, retailers tended to be sensitive to the lead of their competitors. This provides further support for the need to focus on inter-store competition factors when considering retail strategy. However, retailers' sensitivity to competition depending on the brand was not supported. With respect to competition, the decision appears to be "follow the competitor regardless of brand strength"-- a surprising result. It appears that retailers do not wish to be left out of the market, despite expectations of brand-based performance.

5.4 Brand Covariates

The purpose of the brand covariates is to explain retailers' utility for brand names based on their perceptions of brand performance in the core category and how well they believe the brands will fit in the extended categories.

5.4.1 Brand Factor Analysis

Two types of brand covariates were hypothesized to affect brand acceptance. The first, includes perceptions of the brands' performance for existing products. Performance was measured on five bases: volume, margin, competitive clout, vulnerability and contribution to store traffic. The second type of covariate was the perceived fit of the extension with the brand's customers in the new category. This variable was important in studies that considered the success of a single brand extending across categories. Fit was

measured with respect to value to consumers of the brands associated benefits or features in the extended category, appeal to the same consumers, and ability to produce products of a similar quality. Fit and performance information was collected using a constant sum allocation scale. The raw scale values were then transformed prior to analysis by taking the natural log of the odds ratio of the three measured brands. This transformation provides consistency with the transformation of the dependent variable that occurs in MNL.

An examination of the untransformed data (Table 7) reveals problems with two of the covariate measures, margin and vulnerability. Margin was problematic for two reasons. The first occurred when a particular brand wasn't carried by a store (all stores in the pretest listed all brands). If the brand wasn't listed, respondents gave the brand a relative margin of zero, which could also be interpreted as a very competitive item. Given the relative nature of the scale, there was no way to recode the information to indicate that the question was irrelevant for that item. This was not an issue for the other measures, where if an item was not listed it received a value of zero, which could only be interpreted as that brand having the poorest possible perceptual position. The second difficulty with margin was that analysis of variance did not reveal significant differences among the three brands for detergent and juice.

Earlier discussions with retailers led to an expectation of little variation of margin among brands or even categories. Margins were not observed to be highly correlated with brand strength. Rather than take advantage of

consumers' lower price sensitivity for stronger brands by taking higher margins on strong brands, competition forced retailers to take equal or lower margins on these items. (Table 7) Therefore, not surprisingly, margin was not highly correlated with the other measures and was rejected as an unreliable indicator for all three categories.

The vulnerability measure was problematic because respondents appeared to have difficulty understanding the instructions. For this question, strong brands had low relative values. In all the other questions, strong brands had high relative values. An examination of the responses in the detergent category, where one brand was much stronger than the other two with respect to volume, clout and traffic, showed that 12 of 51 respondents appeared to use the scale in reverse. This not only raised suspicion for these 12 respondents but there may have been some confusion for the others as well. Low correlations between vulnerability and other measures confirmed doubts in the reliability of this variable; therefore, it was eliminated from further analysis.

The analysis included the reliable covariates in two forms: as the log odds ratios of the original scales; and as factors derived from a factor analysis of the variables classified as contributing to perceived performance or perceived fit.

The log-odds variables were characterized by relatively high inter-variable correlations (Table 8). Particularly for detergents, where correlations ranged from .56 to .87, these correlations indicated that multicollinearity could

be a problem if all covariates were to be included in the analysis. Indeed, including more than one variable in the model estimation resulted in very unstable parameter estimates for the detergent extensions. Therefore, the covariate models were estimated using either factors derived from the original variables, or each covariate separately.

Covariates were estimated one-at-a-time to gain additional insight into the structure of the perceptions underlying the brand utilities. Did the same perceptual variables underlie the brand utilities in all categories, or is the inference process more complex?

Because the measures were designed to reflect two dimensions, contributions to performance and extension fit, confirmatory factor analysis was conducted to determine if the data supported the structure proposed by the literature. The hypothesized structure included volume, clout and traffic as performance variables and benefits, segments and production consistency as fit variables. As before, margin and vulnerability were omitted because they were not reliable items.

The structure of the factor analysis data should be noted because it is somewhat unusual. Following Urban and Hauser (1980, p.201), for each variable, the brands were stacked, such that each individual had three observations on each variable -- one for each brand. Thus, the factors were based on the linear relationships across each of the three brands, across individuals.

The factor structure was tested on the variance-covariance matrix of the variables for the all-purpose cleaner category because it had the most observations, 318 compared to 153 for the others. In addition, this category represented a very conservative test of the factor structure because it had the highest correlations between the performance and fit variables. The variance-covariance matrix is the appropriate input for tests of theory, where the goal is to explain the total variance of the constructs (Hair, Anderson, Tatham and Black 1992, p.442). In addition, because all the variables are measured on the same scale, there is no need to standardize the coefficients for comparisons. The E-Z Path subroutine in Systat was used for the analysis.

The factor tests (see Table 9) support the two-factor model. Both models exhibit significant relationships between the factors and all the variables. Despite a strong relationship between the two factors, (r=.83) the two-factor model is superior. The likelihood ratio differences between the Chi-Square values are significant (Chi-Square= 260.90 with 1 degree of freedom, prob=.000). Not withstanding the limitations of chi-square value for evaluating goodness of fit of any one model, the test is appropriate for comparing nested models based on covariance data (Joreskog and Sorbom 1986, p.I.39-40). Based on the results of the confirmatory factor tests, performance and fit factor scores were covariates in the acceptance model.

Table 10 demonstrates that the factors explain the variance in the individual variables reasonably well; all factor loadings are above 0.60 and most are substantially higher.

Because fit was hypothesized to be a moderating variable, (following Aaker and Keller (1990)) the interaction of performance and fit factors was created. Specifically, the interaction was such that for a brand to have a high perceived value in the extended category it had to be high on both performance and fit. Performance without fit and vice versa should not lead to a successful extension. Therefore, because the log-odds values and the subsequent factors scores were both positive and negative, 10 was added to each factor score so that all the factor scores would be positive as well as the interactions. (Otherwise, two negative values could be interacted to create a possibly large positive value, which would be inconsistent with the role of the moderator variable.)

The acceptance model included the brand covariates in addition to the brand-specific main effects. As discussed earlier, brand covariates were retailer-specific which required estimation of disaggregate acceptance models. Therefore, data for each choice set for each individual consisted of a choice observation, the design of the hypothetical extension, and the brand specific value for each covariate. Because the goal was to use the covariates to explain the brand utilities, "generic" brand perceptions of performance and fit accounted for the brand effects. Therefore, the data structure matched the

appropriate value of brand perceptual variable with the brand name from the design matrix. For example, if Tide was the level of brand specific variable in the design matrix, then the values for Tide for all the covariates (log-odds values and factor scores) were specified for each observation. This resulted in a total of 15,498 unique, individual observations across all nine extension categories.

5.4.2 Brand Covariate Results

Across all extension categories, the brand covariates explain the brand specific effects such that brand parameters are reduced significantly in almost all cases. For all but two of the nine extension categories (all-purpose cleaner and bar soap), brand parameters are no longer significant once brand covariates are introduced. Table 11 presents the results of the estimation of brand and covariate parameters for each covariate.

The high correlations between the variables and factors in some categories created problems with multicollinearity, thus preventing inclusion of more than one variable at a time. When multiple covariates were included, brand and covariate parameters became unstable. Therefore, even for categories with low correlations, single covariate models were estimated for commensurability. It would be misleading to compare multiple significant variables in some categories and not others when the differences were related to the ability to estimate them, not underlying differences between the

categories. So it is possible to relate the brand utility to any one variable but not to a combination of them.

Because the factors reasonably represented their variables and measurement theory suggests that the factors should attenuate the error in the individual items, one would expect that the factors should have had the greatest impact on explaining the brand utilities. Table 11 highlights significant covariates. The performance factor was a significant explanatory variable in five categories, but it had the largest effect in only one. The performance by fit factor interaction was also significant for five categories but it had a larger effect as expected. Interestingly, individual covariates, such as segment fit, features fit and volume had stronger effects than any of the factors in some cases.

Lack of consistency with respect to the strength of the covariates, however, supports the distinction between the importance of direct and indirect profit contribution considerations. That volume did not dominate the indirect covariates such as clout and traffic and the consumer variables in all categories, suggests that categories may differ in how they contribute to store performance. Perhaps, not surprisingly, appeal to similar consumers and valued features similar to parent products were the covariates most often significant. This reflects retailers' concern about alienating current customers by not listing desired products.

5.5 Category covariates

The first survey's question on category growth and volume suffered from a serious flaw. Assessment of relative growth and volume compared the other two categories included in the questionnaire instead of other categories to which the same brands had been extended. (Stain remover was compared to fruit snacks and deodorant instead of to dishwasher soap and all-purpose cleaner). Improvements were made in the second survey (all purpose cleaner extension) to remedy the problem. Therefore, the category covariate information will refer only to this category, such that reported differences are differences among retailers for the same category. This is less satisfactory than if the information were across categories, where we would expect much greater variability and, thus, greater explanatory power.

Neither category growth nor number of competing brands were significantly different from zero. The signs were in the right direction, such that retailers who perceived the category to be growing faster and having fewer competing brands more likely accepted a new listing.

5.6 Retailer covariates

The retailer's propensity to accept new product listings in all conditions ranged from .1 to .9 with an average acceptance rate of 50%. Sales in dollars and store size were highly correlated (r=.87) as well as store size and store

selling size (r=.995). Therefore, the model included only weekly dollar sales as a covariate.

Weekly sales dollars were not a significant predictor of overall acceptance likelihood (Table 12). That all stores were within the supermarket class may explain the lack of any effect, although there was substantial variability in weekly sales. The other interesting result was that the probability of accepting a new listing was usually inversely related to the number of competitors identified as important regardless of distance. This clearly seems counter-intuitive as one would expect that competitive pressure would encourage acceptance. However, the model explicitly included competitors' actions in the description of the alternatives, and therefore, these variables may be measuring some residual effect. No significant effects were obtained from the interactions between the designed competitive variables and the competitive store characteristics.

6. Discussion

6.1 Summary of the Dissertation

Brand names can represent a valuable asset for owners of the brand. Surprisingly, the nature of brand asset returns, generally called brand equity, has not been previously explored. The fundamental concern of this dissertation is to explore possible components of brand equity within a broader marketing strategy.

Retailers' acceptance decisions for brand extensions are the context selected for this investigation. Retailers represent an important but unstudied source of brand equity. At the most recent Marketing Science symposium on brand equity, Hoffman (1991) noted that the singular emphasis on consumers by researchers and practitioners has inhibited brand equity building with distributors. He recommended that retailers should be enlisted as partners in building brand equity. Perhaps the lack of attention paid to retailers is due to limitations in understanding retailer acceptance decision strategies. Contributing to that understanding is one goal of this dissertation.

Using a survey of independent retail grocers to directly examine retailers' response functions for brands and other marketing elements made it possible to distinguish between direct brand effects and brand-specific marketing mix sources of brand equity. Also, the survey method permitted the investigation of brand perceptions and motivations underlying retailers' brand utility. The extension of three brands in each of the three core categories into three extension categories for a total of 27 brand extensions provided some generalizability across categories and brands .

6.2 Summary of findings

Table 13 summarizes the result of the hypotheses tests for each extension category.

Hypothesis 1: Brand main effects

The retailer acceptance model supports the first hypothesis; brands differ in their contributions to the probability of listing acceptance. Brand utility differences represent the direct component of contributions to brand equity. Brand utility combines additively with the utility from marketing mix variables such as wholesale price, promotional allowance and consumer advertising to determine product acceptance. The parent brand perception covariates, by explaining all or most of the brand utility, confirmed retailers' use of parent brand perceptions as the source of brand extension inferences.

Hypothesis 2: Brand and marketing mix interactions

Support was not found for the second hypotheses. For all of the extensions, brand name did not significantly interact either positively or negatively with any other marketing elements. Retailers' sensitivity to marketing mix elements was not influenced by brand name.

Hypothesis 3: Competitor Listing Actions

Retailers were responsive to competitors' listing actions, as suggested by the literature. However, no significant differences occurred between being listed and not listed by competitors unless the product was listed and also advertised. It appears that retailers do not fear losing their current customers to other stores based only on in-store information.

Retailers' responsiveness to competitors' actions was consistent across all brands regardless of strength. It was expected that they would be more likely to follow the competition for stronger brands because of the greater consumer salience of these brands for inter-store comparisons. However, brand strength had no significant effect on the importance of competition. Perhaps for strong brands, retailers need no prompting from their competitors.

Hypotheses 4 and 5: Brand Perceptions

Perceptions of core brand performance and fit were positively related to brand utility, supporting hypotheses 4 and 5. The perceptions supported the validity of the brand extension process: highly valued extended brands were also highly valued in the core category. To a considerable degree, the perceptions explained the brand utilities. Once the perceptual covariates were introduced, the brand utilities themselves were no longer significant -- except for all-purpose cleaner and bar soap, where the brand effects were reduced but not eliminated. The three performance criteria (volume, clout and traffic) and three fit criteria (benefits valued, appeal to same segments, and production capability) adequately captured retailers' bases for their brand utility. Despite high correlations between the covariates themselves, the pattern of significant relationships between brand utility and covariates is not the same in all extension categories. In some categories volume dominated, in others, the indirect variables, clout and traffic, had a greater impact than volume.

Hypothesis 6: Category characteristics

Data collection difficulties limited the ability to test the contribution of the category itself to the acceptance decision. Where it was possible to test the effects, category growth and number of competing brands had no significant effect although the test is a very weak one. Differences between retailers instead of category differences determined observed variability in category characteristics. Therefore, the influence of category is much weaker than if it were based on between-category differences. Other store characteristics such as sales had no impact on retailers' propensity to accept a listing in some categories, but they were significant in others. This suggests that the extensions in some categories contribute so much to retail assortment that all stores, whatever their size, behave the same.

6.3 Interpretation of Results

This study has shown that direct brand effects exist and in some categories account for greater differences in product acceptance than marketing mix variables or competitors' actions. The brand effect can compensate for reduced expenditures on other marketing mix elements. What this study has not shown is that the brand effect influences the importance of the mix elements. Based on the listing decisions observed in this study, manufacturers' of strong brands cannot assume that a strong brand name influences retailers' sensitivity to the rest of the marketing strategy.

A consumer based reason for the lack of brand-specific mix effects may be that the dual goals of listing decisions -- direct contributions through product volumes and indirect contributions through assortment -- produce a decision that attempts to satisfy the needs of several consumer segments simultaneously. If the goal is to satisfy current customers and perhaps attract new ones, any activity that can generate consumer demand is important, whatever brand strength. Given that this research used all national brands, each brand would presumably have some consumer franchise. Consumer advertising, store promotion, low prices, would generate some demand for all brands, at least among current users of the brand.

Although strong brands have the largest customer base, most retailers build their clientele from more than one brand's consumers. If marketing activities have created some demand for the product, retailers will list it because they do not wish to alienate their current customers. Most shoppers will have at least some categories where they don't buy the market leader and the number and determination of these categories varies considerably across consumers. Although Mary may buy many market leaders, the unavailability of a new item of a less popular brand may ultimately influence her store choice. If she switches stores, the retailer has lost her total sale, not just that of the unavailable item.

Multiple consumer segments and inter-store competition make the risk associated with listing decisions not just a question of expectations whether the

item will sell "sufficient" volumes, but also whether not listing it might contribute negatively to consumers' evaluation of store assortment. While the two issues are related, an item that may be expected to have low volumes will be listed if there is some possibility that consumer advertising, low prices, or retail competitors' actions will generate demand for the item by customers who also purchase many other items.

The results of the covariate analysis support the complexity of the listing decision. No single brand perception best explained brand utilities. The dominant bases for the extension utility exhibit considerable diversity across categories. Even among the same brands in different categories the perceptions that contribute most to brand utility vary. Because fit has been operationalized as valued by or appropriate to current customers, it not only moderates performance, but sometimes outweighs it.

An alternative explanation for the observed independence of decision criteria lies with Chu's (1992) signalling model of retailer product acceptance. If the levels of investment act as signals for the manufacturers' commitment to the product, then we would not expect the importance of the mix variables to differ across brands. The brand name and other mix elements combine as independent signals of manufacturers' confidence concerning product success. Retailers may assume that owners of a valuable brand name asset would not dilute it by extending it to inferior or low demanded items. In the same way,

the other mix elements each contribute to a total expectation of product success.

These results are consistent with Smith's effectiveness results and extend them in two ways. First, they measure direct brand effects on the demand side, unconfounded by supply side actions by controlling for other marketing mix strategies. Secondly, where Smith found no evidence of a relationship between brand strength and advertising efficiency, the direct brand effects support a positive relationship between brand strength and distribution/advertising cost at least among retailers. The nature of the relationship between brand strength and other possible marketing cost savings has been shown to be compensatory. Therefore, manufacturers must tradeoff direct brand demand for marketing mix savings. It is questionable whether there are additional sources of cost savings from brand-specific marketing mix responses.

The finding that brand names affects acceptance of extensions makes a contribution to the literatures on retailers' new product acceptance decisions and the theory and financial implications of brand equity. Brand extension strategies should now explicitly recognize the decision of the channel members as well as consumers.

The relationship between retailers' brand utility for the extended product and core brand performance perceptions provides some assurance that the brand

effects are, in fact, real. Retailers are making some generalization from strength in the core category to expected strength in the extension.

In addition, differences among the abilities of brand perceptual covariates to explain brand utilities raise some interesting issues as to the importance of specific performance contribution expectations in specific brand and category situations. This is a new insight into the retail decision process that has not been previously addressed and provides an opportunity for future research.

6.4 Managerial Implications

Brands do appear, in some cases, to be an important source of competitive advantage with retailers for product extensions. Clearly brand name information is utilized by retailers in their acceptance decision for brand extensions. Brand names influenced the decision to a different degree across extension categories.

Leverage of brand equity through extensions can include retailers' utility for brand names, recognizing distributional competitive advantages that exist. Evidence of the potential contribution to brand equity through a brand's relative effectiveness in obtaining distribution is confirmed and measured by the results of these decision models. It is possible to determine how much this competitive advantage is worth in terms of wholesale prices, trade and

consumer promotional support required to achieve equivalent levels of acceptance.

A simple simulation using the results of the all-purpose cleaner extension demonstrates the compensatory nature of the decision process. It also shows how the lack of between-brand sensitivities to the marketing mix elements allows weaker brands to buy their way onto retailers' shelves. All three brands will achieve the same levels of distribution if:

(a) Tide, the strongest brand, is offered with a medium price, medium promotion allowance and moderate advertising;

(b) ABC (the second strongest brand) is offered with the lowest price and either the highest promotion allowance and moderate advertising, or excellent advertising and medium promotion allowance;

(c) Arctic Power is offered with a price between low and medium, the highest promotion allowance and excellent advertising.

The lack of interactions is good news for weak brands that try to buy their way onto to retailers' shelves. Retailers display a limited "rich get richer" decision rule. The bad news for strong brands is that there may be less brand leveraging based on competitive advantage among competing brands than had previously been expected. The cost savings on other marketing mix variables may be limited to direct brand effects only with no additional marginal benefits relative to other brands.

The varying relative importance of brand name and other marketing elements by category suggests that a single strategy for all categories would be inappropriate and category-specific tactics should be employed. For example, strong brands should extend into categories not only where the fit is high, but where brand name effects are relatively important. The relative emphasis on other marketing mix elements also appears to be category dependent. Past research, by focussing on across category effects may have obtained non-significant results because of high inter-category variability, instead of lack of effects themselves.

6.5 Limitations of the Study

Generally the models explained these retailers' hypothetical acceptance decisions relatively well, with approximately 70% of variance explained for aggregate models. Limitations of the study mainly relate to the nature of the hypothetical alternatives presented and to the focus on within category effects.

The first obvious limitation is that the observations are obtained from a pencil and paper task with no real commitment by the retailer to the decision. This is a problem shared by all new product studies before actual test marketing. The success of many past such studies to predict behavior under field conditions (e.g., Louviere and Woodworth 1983, Levin et al. 1983) has ensured the survival of such "laboratory" studies. In this study, that retailers accepted some product alternatives and rejected others, and the acceptance rate

varied across categories (Table 4) provides evidence that retailers made the effort to seriously evaluate the alternatives. Furthermore, it is a limitation that is common to all the brands, so that it should not radically affect the relative advantage revealed for one brand over other.

A potential limitation is that the brand effects are measured relative to other brands rather than to "no brand" or "new brand", which has been the focus of most of the interest in brand equity. Measurement of competitive advantage, which is essentially what creates brand equity, is, by definition, a relative measure. The issue is to determine who are the competitors of interest. Relevant competing brands in the core category currently on the market were selected as the basis of comparison for two reasons, one substantive and the other methodological. The substantive reason relates to the competitive nature of brand equity -- if all existing brands share the same competitive position there can be no advantage except with respect to some unknown potential competitor, for which for all brands will share the same advantage or disadvantage. If one wants to value the brand asset, it seems reasonable that the key valuation information, especially for strategic decisions, is the difference in the value of the brand asset relative to relevant competition.

The methodological reason, which was discussed in an earlier chapter, relates to the validity of the "no brand" or "new brand" alternative. A "new" name, confounds novelty effects, name symbolism, ease of pronunciation, believability effects. "No brand" has connotations that would be particularly

strong with retailers for whom "no name" brands are essentially lower priced house brands.

A further limitation related to the brand effect, is that manufacturer is confounded with brand name. Are retailers responding to the brand name or the manufacturer or owner of the brand? For example, are they responding to Minute Maid or to PepsiCo? This concerns all brand equity researchers but because the brand is the visible identifying mark, it is generally assumed that the response is to the brand. In some cases, the manufacturer, or parent company is not known, or if known, is probably not top of mind. Retailers deal with manufacturers to a much lesser degree than do wholesalers. Retailers' supply and delivery considerations are, for the most part, related to wholesalers' actions. By directly including other reputation expectations such as levels of support for consumer and store promotions, inferences based on past manufacturer actions are not required. Finally, since retailers' decisions must be cognizant of potential consumer response, their attention would be focussed on the brand rather than the owner of the brand or manufacturer. Informal discussions with retailers confirmed this.

Explanation of observed differences in brand effects between categories was not the goal of the research and the limited attempt to do so was not successful. As discussed earlier, differences in brand effects may arise from several sources such as: differences in what brand performance characteristics are relevant in a category; contributions ofother marketing mix variables to

product volume and assortment considerations; range effects due to the selection of three core categories with varying brand strengths.

The sample of both brands and product categories is, of course, also limited. Independence of brand and mix effects is consistent across these nine extension categories, but this may not be the case for other kinds of goods, such as shopping goods, which involve much more complicated consumer and retailer decision processes and often greater inventory investment decisions by channel members.

6.6 Future Directions for Research

As noted by Smith and Park (1992), the investigation of the effectiveness and efficiency of brand equity leveraging strategies has been extremely limited. Having considered the effectiveness and efficiency for retailers, it would now be valuable to consider the same for consumers. In particular, it is surprising, given all the brand extension research done at the consumer level, that there is no direct evidence of the ability for extended brands to achieve greater awareness or preference with less advertising, promotions, availability or in-store merchandising support.

On the retailing side, the role of both brand names and new products in consumers' valuation of store distribution services has not been examined. Some studies have looked at the effectiveness and cross category effects of promotions of large groups of categories (e.g., men's ready to wear, candy,

baked goods) on sales. Even fewer have considered inter-store effects such as traffic effects (for a notable exception see Kumar and Leone 1988). The current study has explored the potential distinctions between direct and indirect contributions to profit. Further research could usefully develop theory about how brands and categories contribute to direct and indirect profits, and how that might differ across different decisions--such as order volumes, margins, promotional support, and merchandising decisions--as well as listing acceptance.

Figure 1
Direct and Brand-Specific Mix Contributions to Brand Equity

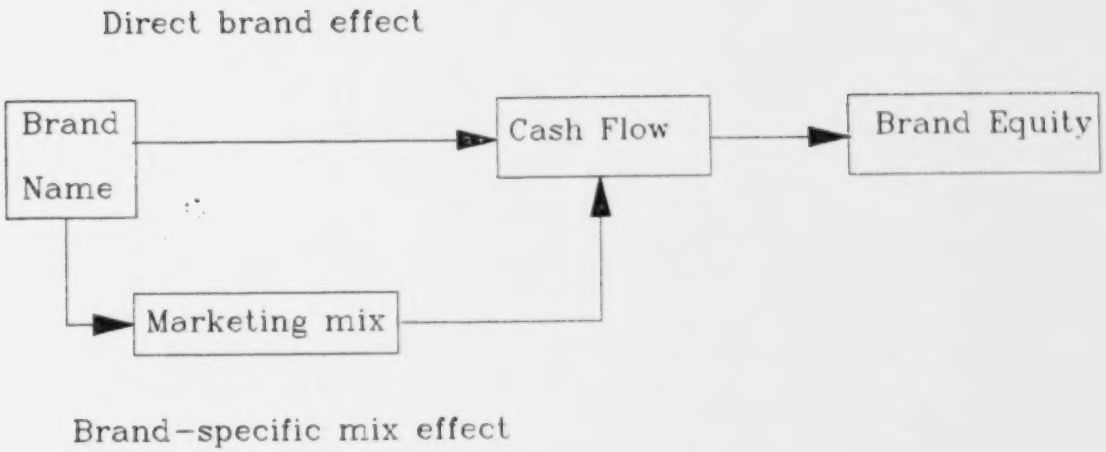
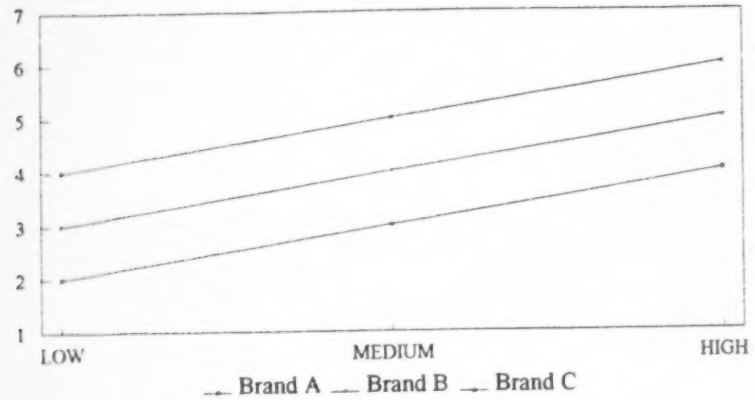


Figure 2
Main Effects and Brand-by-Mix Interactions

FIGURE 2
Main Effects



scale for demonstration only

FIGURE 2A
Negative interaction

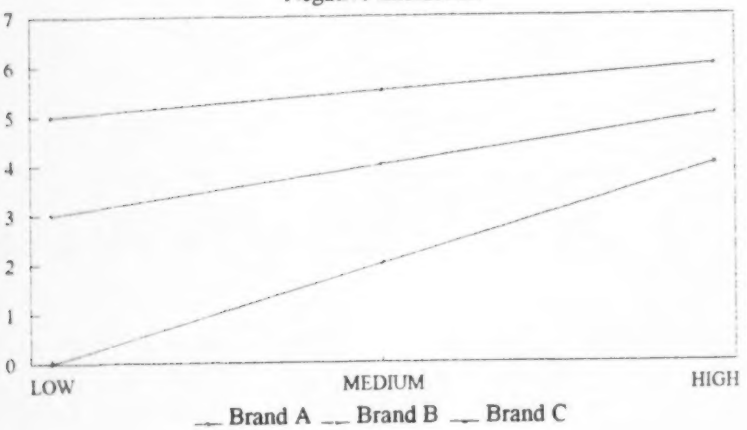


FIGURE 2B
Positive Interactions

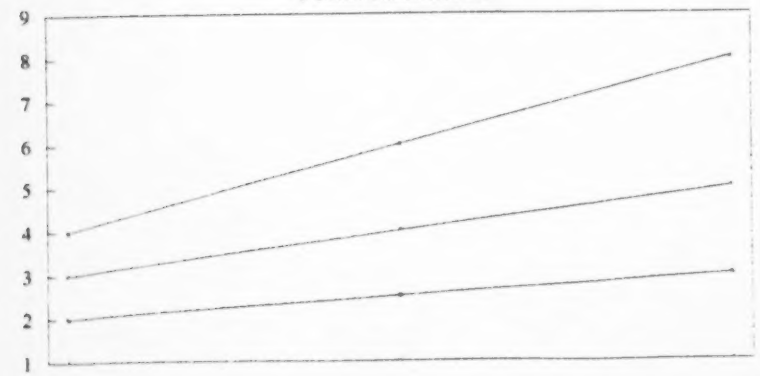


Figure 3
A Conceptual Framework for the Creation of Brand Equity

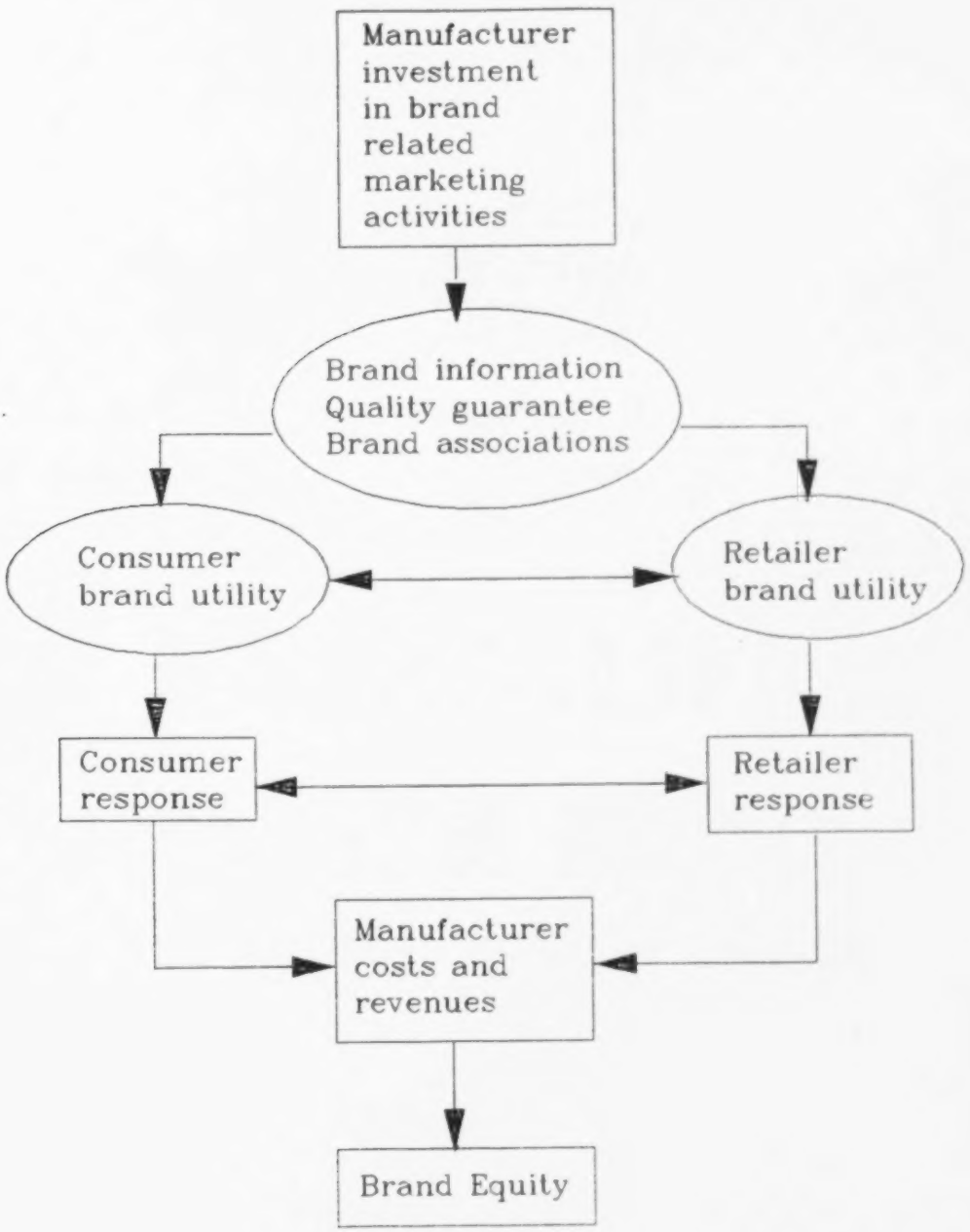
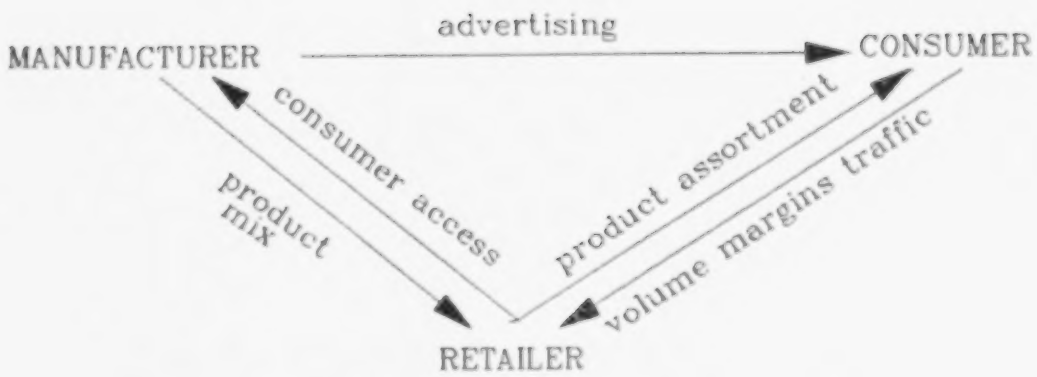


Figure 4
Retailer -- Manufacturer -- Consumer Relationship



c.f. Mulherne and Leone 1991

Figure 5
A Conceptual Framework of Retailers' Acceptance Decisions for Brand Extensions

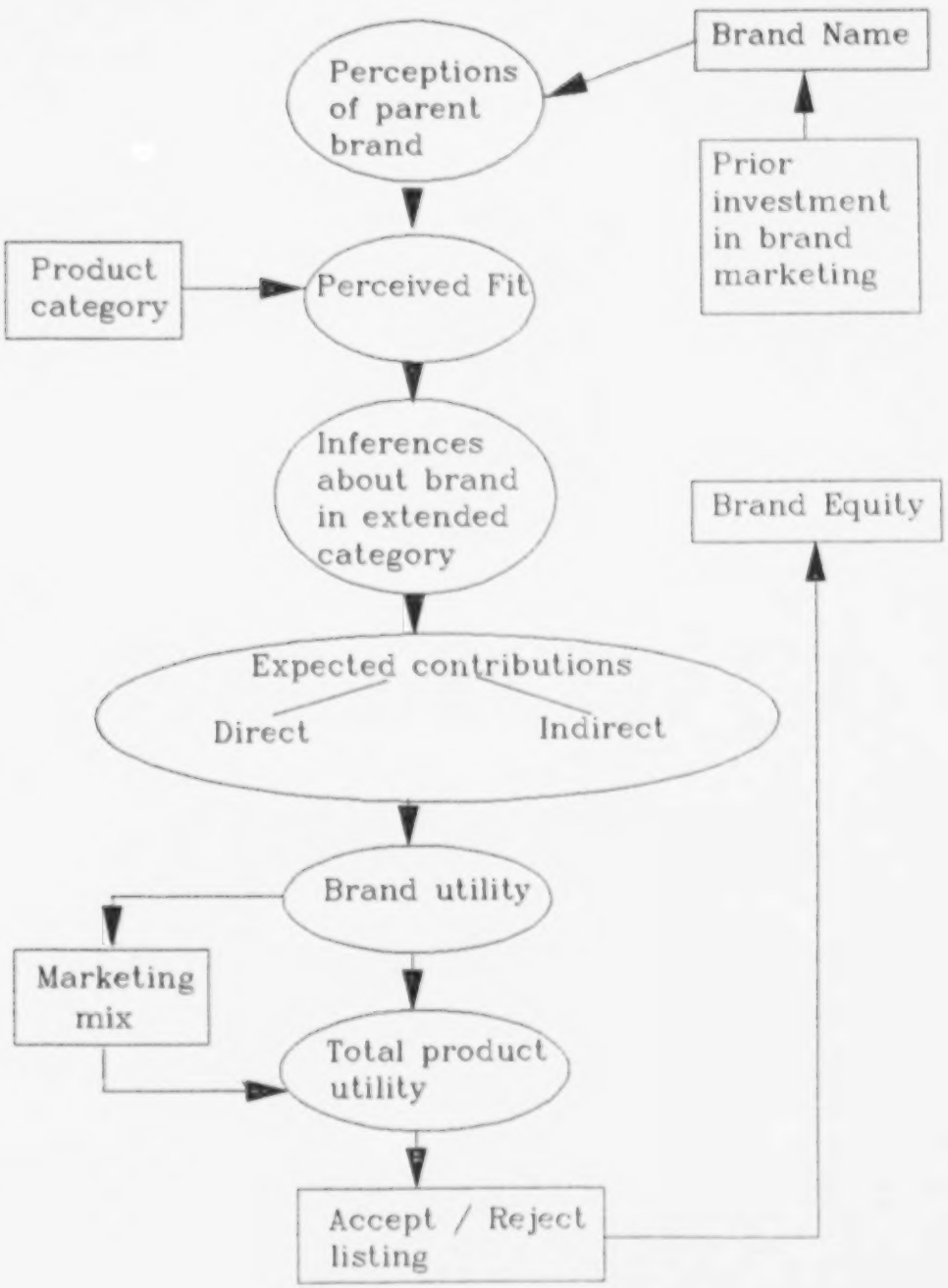


Table 1
Parent Categories, Extensions, and Brands

Parent category	Extension category	Brands
Laundry detergent	Stain remover	Tide
	All-purpose cleaner	Arctic Power
	Dishwasher detergent	ABC
Fruit juice	Fruit snack	Minute Maid
	Ice cream	Welch's
	Sparkling beverage	McCains
Shampoo	Deodorant	Finesse
	Hand and body lotion	V-O5
	Bar soap	Breck

note: all three brands for a given parent category were extended into each of three extension categories

Table 2
Questionnaire Versions

Core Category	**Version 1**	**Version 2**	**Version 3**
Detergent	Stain remover	Dishwasher soap	All-purpose cleaner
Fruit Juice	Fruit snack	Ice cream	Sparkling beverage
Shampoo	Deodorant	Lotion	Bar soap

Table 3
Attribute Levels

	Brand	Brand	Price	Promotion Allowance	Advertising Support	Competitor Actions
Tide	Minute Maid	Finesse	Low	6% discount	Excellent	Listed and advertised
Arctic Power	Welch's	Breck	Medium	3% discount	Moderate	Listed
ABC	McCains	V-O5	High	None	None	Not listed

Note: Price levels were dollar values where Low was represented by the lowest national brand price in the category; High was the highest and Medium was the average of the High and Low prices.

Table 4
Category Acceptance Probability and Sample Size

Category	Acceptance Probability	Number of Respondents	Number of Observations
Stain remover	.47	16	432
All-purpose cleaner	.52	106	2862
Dishwasher detergent	.51	15	405
Fruit snack	.46	16	432
Ice cream	.51	15	405
Sparkling beverage	.60	20	540
Deodorant	.43	16	432
Lotion	.46	15	405
Bar soap	.39	20	540

Parameter Estimates- DETERGENT EXTENSIONS

Table 5a
Parameter Estimates -- Detergent Extensions

	SPRAY CLEANER						STAIN REMOVER						DISHWASHER DETERGENT					
	Model 1			Model 2			Model 1			Model 2			Model 1			Model 2		
		t-value			t-value			t-value			t-value			t-value			t-value	
INTERCEPT	0.11			0.09	1.70		0.15			-0.17			0.07			-0.01		
BRAND1	1.15	17.32	*	1.14	15.80	*	0.59	3.66	*	0.57	3.36	*	0.57	3.50	*	0.67	3.65	*
BRAND2	-0.91	-13.90	*	-0.91	-13.04	*	-0.57	-3.36	*	-0.51	-2.95	*	-0.44	-2.55	*	-0.45	-2.37	*
PRICE (linear)	-0.48	-8.43	*	-0.47	-7.65	*	-0.35	-2.35	*	-0.31	-1.90		-0.36	-2.33	*	-0.35	-2.01	*
PRICE (quadratic)				0.03	0.99					-0.07	-0.82					-0.06	-0.67	
PROMO ALLOW (linear)	0.85	15.13	*	0.85	14.30	*	1.02	7.02	*	1.07	6.57	*	1.07	7.10	*	1.17	6.57	*
PROMO ALLOW (quadratic)				-0.03	-0.89					0.02	0.19					-0.00	-0.04	
ADVERTISING (linear)	0.96	16.71	*	0.98	15.85	*	0.82	5.66	*	0.89	5.40	*	1.00	6.48	*	1.11	6.09	*
ADVERTISING (quadratic)				-0.03	0.83					-0.04	-0.47					0.10	1.09	
COMPETITION	0.30	5.53	*	0.31	4.59	*	0.54	3.42	*	0.57	3.38	*	0.57	3.89	*	0.60	3.16	*
COMPETITION2				-0.01	-0.15		0.31	1.95	*	0.37	2.03	*				0.07	0.34	
Brand1*Price				0.02	0.18					0.15	0.69					-0.01	-0.06	
Brand2*Price				0.04	0.39					-0.06	-0.26					-0.23	-0.82	
Brand1*PromoAllow				-0.01	-0.15					0.07	0.29					-0.31	-1.21	
Brand2*PromoAllow				-0.03	-0.29					-0.24	-1.13					0.17	0.66	
Brand1*Advertising				-0.14	-1.55					0.01	0.03					-0.16	-0.61	
Brand2*Advertising				0.17	1.89					-0.12	-0.57					-0.00	-0.02	
Brand1*Competiton1				-0.15	-1.60					-0.16	-0.70					-0.23	-0.95	
Brand1*Competition2				0.00	0.04					0.13	0.49					0.08	0.28	
Brand2*Competiton1				-0.03	-0.33					-0.15	-0.68					0.06	0.22	
Brand2*Competition2				-0.02	-0.22					-0.10	-0.40					-0.30	-1.02	
Log Likelihood	1532.71			1524.85		ns	233.50			231.10		ns	216.05			212.14		ns

* : significance =.05 ns: likelihood ratio test between models

Parameter Estimates- JUICE EXTENSIONS

Table 5b
Parameter Estimates -- Juice Extensions

	FRUIT SNACK						ICE CREAM						SPARKLING BEVERAGE					
	Model 1			Model 2			Model 1			Model 2			Model 1			Model 2		
		t-value			t-value			t-value			t-value			t-value			t-value	
INTERCEPT	-0.23			-0.16			0.05			0.05			0.49			0.52		
BRAND1	0.17	1.06		0.15	0.87		0.42	2.58	*	0.42	2.41	*	0.48	3.43	*	0.50	3.24	*
BRAND2	-0.43	-2.56	*	-0.36	-1.97	*	-0.40	2.41	*	-0.39	-2.28	*	-0.43	-3.14	*	-0.45	-3.21	*
PRICE (linear)	-0.26	-1.74		-0.26	-1.66		-0.46	3.05	*	-0.44	-2.87	*	-0.21	-1.74		-0.25	-1.90	
PRICE (quadratic)				0.11	1.31					-0.08	-1.01					0.01	0.10	
PROMO ALLOW (linear)	1.15	7.74	*	1.23	6.91	*	1.04	7.06	*	1.04	6.77	*	0.73	5.92	*	0.75	5.80	*
PROMO ALLOW (quadratic)				0.06	0.75					0.06	0.71					0.01	-0.07	
ADVERTISING (linear)	0.88	5.91	*	0.94	5.33	*	0.96	6.36	*	0.94	6.05	*	0.83	6.67	*	0.84	6.32	*
ADVERTISING (quadratic)				0.06	0.75					-0.05	-0.56					0.02	0.33	
COMPETITION	0.61	4.33	*	0.77	3.99	*	0.32	2.29	*	0.29	1.74		0.33	2.78	*	0.35	2.40	*
COMPETITION2				-0.21	-1.07					0.05	0.25					0.01	0.09	
Brand1*Price				-0.35	-1.55					-0.04	-0.18					-0.04	-0.22	
Brand2*Price				0.42	1.68					0.08	0.35					0.18	1.02	
Brand1*PromoAllow				-0.16	-0.67					0.08	0.37					0.24	1.23	
Brand2*PromoAllow				0.29	1.02					-0.18	-0.85					-0.19	-1.10	
Brand1*Advertising				0.06	0.27					-0.11	-0.50					-0.14	-0.73	
Brand2*Advertising				0.16	0.56					0.16	0.72					0.11	0.61	
Brand1*Competiton1				-0.32	-1.27					-0.12	-0.05					0.06	0.30	
Brand1*Competition2				-0.01	-0.02					-0.07	-0.28					0.05	0.23	
Brand2*Competiton1				0.52	1.66					-0.06	-0.27					-0.19	-0.94	
Brand2*Competition2				-0.21	-0.69					0.10	0.40					0.03	0.15	
Log Likelihood	232.90			227.72		ns	223.51			221.27		ns	310.86			308.14		ns

* : significance =.05 ns: likelihood ratio test between models

Parameter Estimates- SHAMPOO EXTENSIONS

Table 5c
Parameter Estimates -- Shampoo Extensions

	DEODORANT					LOTION					BAR SOAP				
	Model 1	t-value		Model 2	t-value	Model 1	t-value		Model 2	t-value	Model 1	t-value		Model 2	t-value	
INTERCEPT	-0.38			-0.35		-0.19			-0.20		-0.63			-0.59		
BRAND1	0.22	1.37		0.20	1.18	0.18	1.14		0.14	0.92	0.68	4.48	*	0.78	4.48	*
BRAND2	-0.09	-0.57		-0.09	-0.52	-0.18	-1.14		-0.16	-1.00	-0.14	-0.93		-0.18	-1.03	
PRICE (linear)	-0.32	-2.19	*	-0.35	-2.39 *	-0.81	-5.72	*	0.81	-5.65 *	-1.11	-7.70	*	-1.12	-7.23	*
PRICE (quadratic)				0.06	0.80				0.04	0.46				0.27	3.16	*
PROMO ALLOW (linear)	0.96	6.65	*	0.92	6.36 *	0.42	3.21	*	0.41	3.09 *	0.59	4.73	*	0.63	4.48	*
PROMO ALLOW (quadratic)				0.04	0.47				0.02	0.22				0.05	0.58	
ADVERTISING (linear)	0.78	5.32	*	0.74	4.96 *	0.76	5.42	*	0.75	5.33 *	1.07	7.70	*	1.16	7.30	*
ADVERTISING (quadratic)				0.04	0.38				-0.82	-1.04				-0.02	-0.24	
COMPETITION	0.81	5.77	*	0.85	5.31 *	0.14	1.05		0.09	0.60	0.31	2.50	*	0.19	1.16	
COMPETITION2				-0.14	-0.84				0.08	0.47				0.14	0.73	
Brand1*Price				-0.21	-0.99				-0.02	-0.10				-0.04	-0.18	
Brand2*Price				0.14	0.64				0.02	0.10				-0.01	-0.03	
Brand1*PromoAllow				0.13	0.61				-0.16	-0.84				0.21	0.95	
Brand2*PromoAllow				-0.07	-0.34				0.09	0.49				-0.13	-0.60	
Brand1*Advertising				0.04	0.21				-0.07	-0.33				-0.03	-0.15	
Brand2*Advertising				0.06	0.26				0.08	0.39				-0.00	-0.01	
Brand1*Competiton1				0.03	0.13				0.03	0.16				-0.08	-0.38	
Brand1*Competition2				-0.18	-0.70				-0.31	-1.33				0.16	0.61	
Brand2*Competiton1				-0.02	-0.09				-0.00	0.01				0.09	0.41	
Brand2*Competition2				0.37	1.53				0.19	0.81				-0.15	-0.62	
Log Likelihood	237.11			234.31					239.00	ns	274.21			266.73		ns

* : significance =.05 ns: likelihood ratio test between models

Table 6
Attribute Importance: % Explained Utility

	SPRAY CLEANER	STAIN REMOVER	DISHWASHER DETERGENT
BRAND	0.28	0.18	0.14
PRICE	0.13	0.11	0.10
PROMO ALLOW	0.23	0.31	0.31
ADVERTISING	0.27	0.25	0.29
COMPETITION	0.08	0.16	0.16

	FRUIT SNACK	SPARKLING BEVERAGE	ICE CREAM
BRAND	0.09	0.18	0.13
PRICE	0.08	0.08	0.14
PROMO ALLOW	0.36	0.29	0.33
ADVERTISING	0.28	0.32	0.30
COMPETITION	0.19	0.13	0.10

	BAR SOAP	DEODORANT	LOTION
BRAND	0.12	0.05	0.08
PRICE	0.32	0.11	0.35
PROMO ALLOW	0.17	0.32	0.18
ADVERTISING	0.31	0.26	0.33
COMPETITION	0.09	0.27	0.06

Table 7
Brand Covariate Descriptive Statistics-- Means and Standard Deviations

	Detergent			Juice			Shampoo		
	TIDE	ARCTIC POWER	ABC	MINUTE MAID	MCAINS	WELCHS	FINESSE	VO5	BRECK
Volume	70.56	7.86	21.36	53.05	33.11	13.07	63.11	23.30	13.68
	14.51	7.48	11.25	17.01	15.84	8.68	21.93	14.05	12.61
Margin	27.60	36.56	39.50	32.56	34.07	34.29	38.44	33.93	27.56
	14.17	13.04	11.36	6.72	8.30	9.17	14.90	8.13	12.82
Clout	59.50	11.43	29.26	46.23	33.32	20.44	49.25	28.68	22.02
	18.95	9.81	14.42	12.03	9.96	9.44	19.73	11.28	12.80
Vulnerability	31.77	30.21	37.94	28.82	33.67	37.48	32.29	37.50	30.15
	20.11	21.45	18.12	14.40	10.12	14.31	14.40	12.67	14.54
Traffic	69.41	7.99	22.62	50.28	33.07	17.03	48.39	29.33	21.86
	16.01	8.13	12.98	14.86	12.58	9.11	18.30	12.93	13.36
Benefits	67.03	11.25	22.05	34.15	46.21	19.64	46.39	30.47	23.00
	14.08	9.23	10.05	12.57	13.07	9.95	17.19	10.94	11.67
Segments	64.46	12.86	22.63	36.30	43.16	20.71	50.12	31.20	24.53
	16.07	10.15	10.39	13.53	13.98	9.06	43.16	10.45	10.68
Production	58.25	16.80	24.86	31.31	44.68	24.95	39.65	33.77	26.52
	18.76	7.86	21.36	11.94	15.54	11.52	15.37	11.31	11.32
	n=137			n=51			n=51		

Table 8
Covariate Correlations

Detergent (all-purpose cleaner)

	Volume	Clout	Traffic	Value	Customers	Quality
Volume	1.00					
Clout	0.83	1.00				
Traffic	0.87	0.85	1.00			
Value features	0.84	0.73	0.79	1.00		
Same customers	0.77	0.71	0.75	0.84	1.00	
Same Quality	0.70	0.68	0.68	0.80	0.77	1.00

Detergent

	Volume	Clout	Traffic	Value	Customers	Quality
Volume	1.00					
Clout	0.75	1.00				
Traffic	0.82	0.73	1.00			
Value features	0.80	0.60	0.73	1.00		
Same customers	0.76	0.62	0.71	0.85	1.00	
Same Quality	0.56	0.43	0.53	0.72	0.74	1.00

Juice

	Volume	Clout	Traffic	Value	Customers	Quality
Volume	1.00					
Clout	0.62	1.00				
Traffic	0.73	0.66	1.00			
Value features	0.47	0.33	0.36	1.00		
Same customers	0.44	0.38	0.37	0.66	1.00	
Same Quality	0.46	0.27	0.27	0.74	0.57	1.00

Shampoo

	Volume	Clout	Traffic	Value	Customers	Quality
Volume	1.00					
Clout	0.61	1.00				
Traffic	0.56	0.71	1.00			
Value features	0.53	0.76	0.71	1.00		
Same customers	0.50	0.77	0.74	0.94	1.00	
Same Quality	0.42	0.60	0.59	0.74	0.75	1.00

Table 9
Confirmatory Factor Analysis Results--All-purpose cleaner

One Factor Model

Performance	Factor coefficient	std.error	Unique coefficient	std.error
Volume	1.469	0.067	0.586	0.032
Clout	1.358	0.070	0.764	0.035
Traffic	1.531	0.073	0.707	0.035
Features	1.302	0.063	0.611	0.030
Segments	1.483	0.077	0.877	0.040
Production	1.117	0.065	0.835	0.036
J-K Goodness of fit	0.819			
Adjusted GFI	0.578			
Chi-Square df.=9	176.800			

Two Factor Model

Performance	Factor coefficient	std.error	Unique coefficient	std.error
Volume	1.487	0.067	0.540	0.035
Clout	1.393	0.069	0.699	0.035
Traffic	1.568	0.072	0.621	0.036
Fit				
Features	1.364	0.061	0.457	0.036
Segments	1.543	0.076	0.766	0.040
Production	1.178	0.064	0.747	0.034
Performance*Fit	0.902	0.015		
J-K Goodness of fit	0.955			
Adjusted GFI	0.883			
Chi-Square df.=8	46.348			

n=318

Table 10
Brand Covariate Factor Loadings

	Detergent	Juice	Shampoo
Performance Factor			
Volume	0.934	0.888	0.827
Clout	0.897	0.856	0.897
Traffic	0.924	0.903	0.876
Eigenvalue	2.532	2.336	2.255
% Variance Explained	84.385	77.860	75.179
Fit Factor			
Features/Benefits	0.931	0.909	0.961
Segment	0.940	0.847	0.963
Production	0.888	0.886	0.879
Eigenvalue	2.538	2.329	2.623
% Variance Explained	84.598	77.642	87.441
Correlation Performance and Fit Factors	0.830	0.477	0.776

Table 11a
Covariate Model Results -- Detergent Extensions
t-values for brands and covariates

Stain Remover

COVARIATE	Brand 1	Brand 2	Covariate		Log Likelihood
None	3.69	3.39	------		229.64
Performance Factor	0.63	0.10	2.69	*	225.80
Performance by Fit Factor	1.26	1.07	1.77		228.05
Volume	0.19	0.13	3.11	**	224.31
Clout	1.70	0.97	2.00		227.58
Traffic	1.82	1.32	1.85		227.89
Fit Factor	2.02	1.98	1.22		228.88
Features	1.99	1.77	1.45		228.54
Segment	1.25	1.10	2.57	*	226.06
Production	3.51	3.38	0.62		229.45

All-purpose Cleaner

COVARIATE	Brand 1	Brand 2	Covariate		Log Likelihood
None	17.36	13.92	----		1518.03
Performance Factor	10.96	7.76	2.95	*	1513.60
Performance by Fit Factor	8.51	5.87	4.71	**	1506.58
Volume	10.59	7.69	2.75	*	1514.20
Clout	13.33	9.39	2.56	*	1514.71
Traffic	11.65	8.68	2.66	*	1514.44
Fit Factor	9.16	6.17	5.98	**	1498.76
Features	9.32	6.71	6.06	**	1498.51
Segment	10.24	6.51	4.94	**	1505.34
Production	12.42	9.47	4.92	**	1505.13

Dishwasher Detergent

COVARIATE	Brand 1	Brand 2	Covariate	Log Likelihood
None	3.64	2.60	----	203.33
Performance Factor	1.49	0.96	1.00	202.82
Performance by Fit Factor	1.59	1.16	0.74	203.05
Volume	1.22	-0.80	1.43	202.27
Clout	1.78	1.07	1.36	202.36
Traffic	2.61	1.95	0.21	203.31
Fit Factor	2.50	1.96	0.11	203.32
Features	3.03	2.27	0.29	203.29
Segment	2.69	2.05	0.24	203.30
Production	2.36	1.97	0.41	203.25

Note: * indicates significance at .10 ** indicates significance at .05
Adjusted for repeated measures

Table 11b
Covariate Model Results -- Juice Extensions
t-values for brands and covariates

Fruit Snack

COVARIATE	Brand 1	Brand 2	Covariate		Log Likelihood
None	0.99	-2.63	----		225.52
Performance Factor	-1.88	0.83	3.96	**	216.87
Performance by Fit Factor	-1.40	0.33	3.42	**	219.20
Volume	0.41	-0.24	0.90		225.12
Clout	0.06	-2.18	1.63		224.18
Traffic	1.25	-2.73	-0.77		225.23
Fit Factor	0.26	-1.53	1.63		224.15
Features	0.97	-2.62	0.18		225.51
Segment	0.51	-1.67	1.61		224.12
Production	0.79	-2.39	0.60		225.35

Ice Cream

COVARIATE	Brand 1	Brand 2	Covariate		Log Likelihood
None	2.76	-2.57	----		198.92
Performance Factor	1.88	-1.58	0.32		198.87
Performance by Fit Factor	-1.24	2.02	4.42	**	186.80
Volume	1.55	-2.11	1.64		197.54
Clout	2.89	-2.72	-1.01		198.41
Traffic	2.14	-2.36	0.55		198.77
Fit Factor	-1.12	2.51	5.28	**	175.20
Features	2.90	-2.67	-1.91		197.00
Segment	0.38	1.30	4.53	**	183.35
Production	0.29	0.22	4.46	**	182.23

Sparkling Beverage

COVARIATE	Brand 1	Brand 2	Covariate		Log Likelihood
None	3.52	-3.22	----		297.27
Performance Factor	1.21	-0.30	2.82	*	293.14
Performance by Fit Factor	0.55	-0.01	3.96	**	288.29
Volume	3.17	-3.14	0.20		297.25
Clout	2.76	-3.00	0.79		296.96
Traffic	2.59	-2.90	2.20		294.78
Fit Factor	1.40	-1.31	3.73	**	287.72
Features	3.82	-3.36	-2.91	*	289.65
Segment	1.81	-1.28	4.07	**	288.24
Production	2.35	2.61	2.72	*	292.86

Note: * indicates significance at .10 ** indicates significance at .05
Adjusted for repeated measures

Table 11c
Covariate Model Results -- Shampoo Extensions
t-values for brands and covariates

Deodorant

COVARIATE	Brand 1	Brand 2	Covariate		Log Likelihood
None	1.92	-0.85	----		297.66
Performance Factor	-0.02	0.99	2.94	*	306.58
Performance by Fit Factor	-1.00	1.88	3.64	**	311.35
Volume	-0.11	0.57	2.05		301.92
Clout	0.09	1.09	3.80	**	312.99
Traffic	1.73	-0.74	0.23		297.71
Fit Factor	-0.62	1.70	3.60	**	311.11
Features	0.83	0.26	2.24		302.95
Segment	0.60	0.65	3.38	**	312.49
Production	1.17	-0.18	-1.27		302.88

Lotion

COVARIATE	Brand 1	Brand 2	Covariate	Log Likelihood
None	1.23	-1.18	----	217.93
Performance Factor	1.26	-1.24	-0.41	217.84
Performance by Fit Factor	0.84	-0.89	0.34	217.87
Volume	0.90	-0.98	-0.02	217.93
Clout	1.36	-1.32	-0.59	217.75
Traffic	1.46	-1.42	-0.83	217.58
Fit Factor	0.77	-0.81	0.38	217.86
Features	1.50	-1.43	-0.95	217.48
Segment	1.33	-1.27	-0.69	217.69
Production	1.34	-1.43	-0.95	217.49

Bar Soap

COVARIATE	Brand 1	Brand 2	Covariate	Log Likelihood
None	4.56	-0.94	----	266.19
Performance Factor	3.13	-0.17	1.16	265.51
Performance by Fit Factor	2.59	0.01	1.39	265.21
Volume	3.24	-0.58	0.44	266.09
Clout	3.88	-0.53	0.74	265.92
Traffic	3.84	-0.53	0.79	265.88
Fit Factor	2.71	-0.04	1.39	265.20
Features	4.06	-0.70	0.36	266.13
Segment	3.98	-0.64	0.56	266.03
Production	4.36	-0.87	0.04	266.19

Note: * indicates significance at .10 ** indicates significance at .05
Adjusted for repeated measures

Store covariates: Distance and Weekly Sales Dollars

Table 12
Store Covariate Results: Distance and Weekly Sales

	< 2 km parameter	t-value	**2-10 km.** parameter	t-value	**>10 km.** parameter	t-value	sales parameter	t-value
Stain Remover	0.128	0.609	-0.257	-1.194	-0.307	-1.959	0.001	0.366
All-Purpose cleaner	-0.190	3.184	-0.220	-4.040	0.078	1.669	0.002	0.522
Dishwasher Detergent	-0.470	2.073	0.135	0.665	-0.198	-1.392	0.007	2.960
Fruit Snack	0.174	0.819	-0.218	-1.014	-0.423	-2.645	0.001	0.481
Ice Cream	-0.809	3.434	0.330	1.606	-0.300	-2.080	0.010	3.751
Sparkling Beverage	-0.090	0.800	0.333	2.980	0.020	0.206	0.006	3.165
Deodorant	0.270	1.272	-0.682	-3.059	-0.507	-3.153	0.004	0.244
Lotion	-0.407	1.899	0.170	0.908	-0.560	-3.875	0.009	3.831
Bar Soap	-0.216	1.890	-0.269	-2.214	-0.366	-3.327	0.004	2.112

Table 13
Summary of Results of Hypotheses Tests

CATEGORY	H1	H2(a)	H2(b)	H2(c)	H3	H4
Stain remover	✓✓	n.s.	n.s.	n.s.	n.s.	✓✓
Dishwasher soap	✓✓	n.s.	n.s.	n.s.	n.s.	n.s.
All-purpose cleaner	✓✓	n.s.	n.s.	n.s.	n.s.	✓
Fruit snack	✓	n.s.	n.s.	n.s.	n.s.	✓✓
Ice cream	✓	n.s.	n.s.	n.s.	n.s.	✓✓
Sparkling beverage	✓✓	n.s.	n.s.	n.s.	n.s.	✓✓
Deodorant	n.s.	n.s.	n.s.	n.s.	n.s.	✓✓
Lotion	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Bar soap	✓✓	n.s.	n.s.	n.s.	n.s.	n.s.

notes:
H1-H3
✓✓ indicates significance α=.05 adjusted for repeated measures
✓ indicates significance α=.10 adjusted for repeated measures
H4:
✓✓ any one covariate significant and brand utility not significant
✓ any one covariate significant and brand utility reduced

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Appendix 1
Power Calculation

To calculate the power for a binomial outcome let π be the proportion of acceptances, while π_0 is the proportion specified under the null hypothesis.

$$\delta = 2(\arcsin \pi^{1/2} - \arcsin \pi_0^{1/2})$$

$$\Delta = (e^{2\delta} - 1)/(e^{2\delta} + 1)$$

if $\pi_0 = .5$, then for a tolerance of 7.5%, $\pi = .575$, with $\alpha = .05/2$

$\delta = 2(\arcsin 0.575^{1/2} - \arcsin 0.5^{1/2}) = .15$

$\Delta = (e^{2\delta} - 1) / (e^{2\delta} + 1) = .15$

n= 400
power=85% from table
(source: Kraemer and Thiemann 1987, p109)

Note: tolerance of .075 for probability of acceptance leads to critical differences in coefficients of .30 because of the non-linear relationship between probability of acceptance and independent variables.

$$P_i = 1/1+e^{\beta x_i}$$

where P_i is the probability of acceptance
x_i equals 1 ,0 or -1
and β is the coefficient

simulation demonstrates:

if	P_i	= .5	β	=0
		=.5125		=.05
		=.525		=.10
		=.5375		=.15
		=.55		=.20
		=.562		=.25
		=.574		=.30

Appendix 2
Survey Instruments

CFIG FCEI

THE CANADIAN FEDERATION OF INDEPENDENT GROCERS

LA FÉDÉRATION CANADIENNE DES EPICIERS INDEPENDANTS

BOARD OF DIRECTORS
1990-1991

Executive Committee

Directors

ASSOCIATE MEMBERS COUNCIL

MEMO

Date:September 9, 1991

To: Independent Grocers

From: John F.T. Scott, President

Re: Simon Fraser University/ University of Alberta Research

Enclosed is a survey that has been designed by researchers at Simon Fraser University and the University of Alberta concerning retailer decision making for new products. This type of research is extremely valuable for you the independent grocer and CFIG as an organization. It is for those reasons that we strongly urge you to take a few minutes to complete the information to assist in the program.

TORONTO: 101 DUNCAN MILL ROAD, SUITE 302, DON MILLS, ONTARIO M3B 1Z3 (416) 449-1976 or 3020, FAX (416) 449-7188

EDMONTON: 301, 11456 JASPER AVENUE, EDMONTON, ALBERTA T5K 0M1 (403) 488-7184, FAX (403) 488-1337

We know your time is money.
Hopefully, it's worth $10,000!
We appreciate your contribution to this important research, and we've included a BC Lottery Corporation ticket for you just to say Thank You.

Good Luck!

Remember---Please return the survey in the enclosed self-addressed return envelope at your earliest convenience.

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New Product Evaluations:
A Survey of Retailer Opinions

The proliferation of new products in the last few years has put retailers into the drivers' seat, making important decisions about what new products their customers will want and how these products will affect the retailer's bottom line. However, no one really knows how actual retailers, such as yourself, make these decisions. This survey is aimed at finding out. The goal is to better understand how retailers make decisions so that educators and associations like CFIG can work together for the retailers of today and tomorrow.

Your contribution to this research is greatly appreciated.

Thank you for your help.

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Canada T6G 2R6

Department of Marketing and Economic Analysis
Faculty of Business
3-40L Faculty of Business Building. Telephone (403) 492-5418
Fax (403) 492-3325

Dear Retailer:

Thank you for taking the time to participate in this very important research which is being conducted by the Department of Marketing at the University of Alberta. Your participation is crucial: no other retailer has exactly the same experiences or faces exactly the same customers or competitors as you do. We need your input.

The goal of this research is to better understand how you make decisions for your store. In particular we are interested in your perceptions about how various products contribute to your stores' profitability and what factors influence your decision to accept new product listings. The survey methods used in this questionnaire may be very different from anything you have experienced in the past. Because we believe that your decisions can be quite complex, it is important to capture the "it depends" part of your decision making. Therefore we ask you to respond to a number of items that may seem fairly similar but which differ in important ways. **Remember, there are no right or wrong answers - only what you believe is the right decision for your store.**

This questionnaire has three parts. Part One asks for your opinions about the relative contributions to your store's performance of various brands in three product categories. You will notice that some of these questions seem to be very similar. In order to get the best possible understanding of how you think about the performance of these products, it is necessary to ask the question in different ways, each one focussing on a different way that a product could contribute to profits.

Part Two asks you how your customers might respond to new products which are brand extensions. By brand extensions, we mean new products which carry a brand name from an existing product in another category.

Part Three is quite a different task from the other two. It requires you make decisions about whether or not you would list the hypothetical new products presented to you.

The results of this survey are confidential and anonymous. They will be used for academic purposes only.

If you have any questions, or difficulties answering the questionnaire, please contact

Colleen Collins: 492-7966 (office)
433-4306 (home / answering machine).

Thank you again,

Colleen Collins
Department of Marketing, University of Alberta

Part One

These questions ask for **your opinions** about the impact of individual BRANDS on your store's performance.

For the following questions, please allocate 100 points among the brands, so that the points reflect your opinion about each brand's impact compared to the others.

The brand that you believe contributes the most to your store's performance should receive the most points, and the brand that contributes the least should receive the least points. All the points must add to 100.

For example, if you feel that all brands contribute equally to your store's performance then each brand should receive 33 points (if there are three brands 3 X 33.33 = 100). But if you feel that one particular brand contributes as much as all the others mentioned, then that brand would receive 50 points and the other 50 points would be allocated to the remaining brands according to their relative contributions.

1. Considering **non-promotion sales volumes** only, how much do each of the following brands contribute to **PRODUCT FAMILY SALES VOLUMES across all package sizes** in these families?

LAUNDRY DETERGENT

TIDE	___
ARCTIC POWER	___
ABC	___
total	100

FROZEN FRUIT JUICE

MINUTE MAID	___
McCAINS	___
WELCH'S	___
total	100

SHAMPOO

FINESSE	___
V-O5	___
BRECK	___
total	100

2. Do you take the same, or different, **regular shelf-price margins** on all brands within a product family? (i.e. if you take the same margin on all brands, then all would receive the same number of points. If you take a higher margin on one brand in relation to the others, then that brand would receive more points than the others listed.)

LAUNDRY DETERGENT

TIDE	___
ARCTIC POWER	___
ABC	___
total	100

FROZEN FRUIT JUICE

MINUTE MAID	___
McCAINS	___
WELCH'S	___
total	100

SHAMPOO

FINESSE	___
V-O5	___
BRECK	___
total	100

3. This time we're interested in whether a particular **brand's sales would increase, more or less, than others, WHEN IT IS PROMOTED.** If some brands increase their sales (when advertised) more than others (when they are advertised), they should receive proportionately more points.

LAUNDRY DETERGENT

TIDE	___
ARCTIC POWER	___
ABC	___
total	100

FROZEN FRUIT JUICE

MINUTE MAID	___
McCAINS	___
WELCH'S	___
total	100

SHAMPOO

FINESSE	___
V-O5	___
BRECK	___
total	100

4. Compared to the other brands listed **how much are a brand's sales REDUCED in your store, when other brands are promoted.** If all brands are hurt about the same, then allocate the same number of points to each brand, but if some brands are **hurt relatively more by competing brands' promotions** than other brands then give that brand proportionately **more** points.

LAUNDRY DETERGENT

TIDE	___
ARCTIC POWER	___
ABC	___
total	100

FROZEN FRUIT JUICE

MINUTE MAID	___
McCAINS	___
WELCH'S	___
total	100

SHAMPOO

FINESSE	___
V-O5	___
BRECK	___
total	100

5. How much do you feel these brands contribute to **overall store traffic** when they are on promotion and advertised? (i.e. if more traffic is generated when Brand A is on sale, than when Brand B or Brand C are promoted, then Brand A would receive more points.)

LAUNDRY DETERGENT

TIDE	___
ARCTIC POWER	___
ABC	___
total	100

FROZEN FRUIT JUICE

MINUTE MAID	___
McCAINS	___
WELCH'S	___
total	100

SHAMPOO

FINESSE	___
V-O5	___
BRECK	___
total	100

Part Two

NEW PRODUCT ISSUES

The next three questions have to do with several hypothetical new products which are extensions of brands you evaluated in the previous question. **Brand extensions are new products introduced using a brand name which already appears in another category.**

Once again we ask you to allocate 100 points among the brands so that the number of points you allocate to each reflects your opinion of the relative position of each brand on each question.

1. To what extent do you believe that your **customers will value the features and/or benefits associated with the following brand names** if they were introduced as new products in these product families? The brand that you expect to have the most valued features in the new category should receive the most points and so on. PLEASE MAKE SURE YOUR POINTS ADD UP TO 100.

Product Family: Spray on laundry stain remover

TIDE	____
ARCTIC POWER	____
ABC	____
Total	100

Product Family: Individual serving fruit cups (fruit salad and applesauce varieties)

McCAINS	____
MINUTE MAID	____
WELCH'S	____
Total	100

Product Family: Roll-on deodorant

FINESSE	____
V-O5	____
BRECK	____
Total	100

2. To what degree do you believe that hypothetical new products with the brand names listed below, will **appeal to the same customers who already buy these brands**? Assign points to each brand to reflect your opinion of how much appeal each will have. MAKE SURE YOUR POINTS TOTAL 100.

Product Family: Spray on laundry stain remover

TIDE	____
ARCTIC POWER	____
ABC	____
Total	100

Product Family: Individual serving fruit cups (fruit salad and applesauce varieties)

McCAINS	____
MINUTE MAID	____
WELCH'S	____
Total	100

Product Family: Roll-on deodorant

FINESSE	____
V-O5	____
BRECK	____
Total	100

3. To what extent do you think that the manufacturers of these brands can **produce products of similar quality to those they currently produce** if they introduced these brands into the following categories? The manufacturer you believe to be most capable of consistent quality in the new category should receive the most points. Assign points to each brand to reflect your opinion of how consistent the quality of each brand will be. MAKE SURE YOUR POINTS TOTAL 100.

Product Family: Spray on laundry stain remover

TIDE	____
ARCTIC POWER	____
ABC	____
Total	100

Product Family: Individual serving fruit cups (fruit salad and applesauce varieties)

McCAINS	____
MINUTE MAID	____
WELCH'S	____
Total	100

Product Family: Roll-on deodorant

FINESSE	____
V-O5	____
BRECK	____
Total	100

PRODUCT FAMILY CHARACTERISTICS

Please consider the characteristics of each of the following product families relative to the others listed.

1. Please allocate 100 points to each product family so that the points reflect the **growth for that family in your store**. The category with the highest growth should receive the most points. If all categories are the same they should receive the same number of points.

SPRAY ON LAUNDRY STAIN REMOVER	____
INDIVIDUAL SERVING FRUIT CUP	____
ROLL ON DEODORANT	____
Total	100

2. Please allocate 100 points to each product family so that the points reflect the **volume for that category** in your store. The category with the highest volume should receive the most points. If all categories are the same they should receive the same number of points.

SPRAY ON LAUNDRY STAIN REMOVER	____
INDIVIDUAL SERVING FRUIT CUP	____
ROLL ON DEODORANT	____
Total	100

PART THREE - NEW PRODUCT LISTINGS

In this section we present you with descriptions of **hypothetical new products** in three product categories. These products are brand extensions so please keep in mind that, **these are familiar brand names - in a new product family**. Each item is described by:

a) a well-known **brand name**
b) its regular **wholesale price**
c) the amount of **purchase allowance** (ie. no P.A. or 3% or 6% off the wholesale price of each case)
d) extent of **national/ regional advertising support** (ie. no ad support, moderate ad support or excellent ad support)
e) the **actions of your most important competitor** regarding this item (ie. they either don't list it or they list it at regular price or they list it and have it on their ad).

Read each product description and then decide whether or not you would list THAT PRODUCT. Please disregard all other alternative products in making your decision. Assume that each product you see is the only option available. After you have indicated what your action would be, please continue on to consider the other alternatives. Make your decisions separately for each item. You are asked to make 27 separate decisions for each product family.

Example
Product family: Cake Mix

PRODUCT #1

Brand Name	Nabisco
Wholesale price	$29.76 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

(ACCEPT LISTING) REJECT LISTING

In the above example the retailer decided that they would list the new product in their store and indicated their decision by circling the action they would take.

Part Three (a)

In this section a number of hypothetical new products in the **laundry stain remover (spray trigger)** product family are presented to you. Their brand names are Tide, Arctic Power or ABC and wholesale prices are (per case - 12 (600ml)) $19.43, $22.61 or $25.78.

For each of the hypothetical new products below, please consider each one separately from the others and then indicate the action you would take by CIRCLING THE APPROPRIATE LISTING ACTION. Naturally there is no right answer - only the answer with you believe is right for your store.

Product Family: **Laundry stain remover (spray trigger)**

PRODUCT #1

Brand name	Tide
Wholesale price	$25.78 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #2

Brand name	Tide
Wholesale price	$25.78 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #3

Brand name	ABC
Wholesale price	$25.78 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

Laundry stain remover (spray trigger) continued

PRODUCT #9

Brand name	Tide
Wholesale price	$22.61 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #10

Brand name	ABC
Wholesale price	$22.61 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #11

Brand name	Tide
Wholesale price	$19.43 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #12

Brand name	Arctic Power
Wholesale price	$19.43 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #13

Brand name	ABC
Wholesale price	$25.78 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

Laundry stain remover (spray trigger) continued

PRODUCT #14

Brand name	Arctic Power
Wholesale price	$25.78 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #15

Brand name	Tide
Wholesale price	$19.43 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #16

Brand name	Tide
Wholesale price	$25.78 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #17

Brand name	ABC
Wholesale price	$22.61 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #18

Brand name	Arctic Power
Wholesale price	$22.61 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

Laundry stain remover (spray trigger) continued

PRODUCT #19

Brand name	ABC
Wholesale price	$22.61 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #20

Brand name	ABC
Wholesale price	$19.43 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #21

Brand name	Arctic Power
Wholesale price	$19.43 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #22

Brand name	Tide
Wholesale price	$22.61 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #23

Brand name	ABC
Wholesale price	$25.78 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

Laundry stain remover (spray trigger) continued

PRODUCT #24

Brand name	Tide
Wholesale price	$22.61 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #25

Brand name	ABC
Wholesale price	$19.43 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #26

Brand name	Arctic Power
Wholesale price	$25.78 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #27

Brand name	Arctic Power
Wholesale price	$19.43 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

Part Three (b)

In this section a number of hypothetical new products in the **individual serving fruit cup (applesauce and fruit salad varieties)** product family are presented to you. Their brand names are Minute Maid, Welch's or McCains and wholesale prices are (per case - 12 X 6pk) $22.44, $23.84 or $25.20.

For each of the hypothetical new products below, please consider each one separately from the others and then indicate the action you would take by CIRCLING THE APPROPRIATE LISTING ACTION. Naturally there is no right answer - only the answer which you believe is right for your store.

Product Family: **Individual serving fruit cups**

PRODUCT #1

Brand name	Minute Maid
Wholesale price	$25.20 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #2

Brand name	Minute Maid
Wholesale price	$25.20 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #3

Brand name	McCains
Wholesale price	$25.20 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

Individual serving fruit cup (applesauce and fruit salad varieties) continued

PRODUCT #9

Brand name	Minute Maid
Wholesale price	$23.84 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #10

Brand name	McCains
Wholesale price	$23.84 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #11

Brand name	Minute Maid
Wholesale price	$22.44 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #12

Brand name	Welch's
Wholesale price	$22.44 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #13

Brand name	McCains
Wholesale price	$25.20 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

Individual serving fruit cup (applesauce and fruit salad varieties) continued

PRODUCT #14

Brand name	Welch's
Wholesale price	$25.20 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #15

Brand name	Minute Maid
Wholesale price	$22.44 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #16

Brand name	Minute Maid
Wholesale price	$25.20 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #17

Brand name	McCains
Wholesale price	$23.84 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #18

Brand name	Welch's
Wholesale price	$23.84 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

Individual serving fruit cup (applesauce and fruit salad varieties) continued

PRODUCT #19

Brand name	McCains
Wholesale price	$23.84 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #20

Brand name	McCains
Wholesale price	$22.44 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #21

Brand name	Welch's
Wholesale price	$22.44 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #22

Brand name	Minute Maid
Wholesale price	$23.84 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #23

Brand name	McCains
Wholesale price	$25.20 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

Individual serving fruit cup (applesauce and fruit salad varieties) continued

PRODUCT #24

Brand name	Minute Maid
Wholesale price	$23.84 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #25

Brand name	McCains
Wholesale price	$22.44 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #26

Brand name	Welch's
Wholesale price	$25.20 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #27

Brand name	Welch's
Wholesale price	$22.44 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

Part Three (c)

In this section a number of hypothetical new products in the **roll-on deodorant** product family are presented to you. The brand names are Finesse, Breck or V-O5 and the wholesale prices (per individual item) are $2.05, $2.25 or $2.45).

For each of the hypothetical new products below, please consider each one separately from the others and then indicate the action you would take by CIRCLING THE APPROPRIATE LISTING ACTION. Naturally there is no right answer - only the answer which you believe is right for your store.

Product Family: **Roll-on Deodorant**

PRODUCT #1

Brand name	FINESSE
Wholesale price	$2.45 /Item
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #2

Brand name	FINESSE
Wholesale price	$2.45 /Item
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #3

Brand name	V-O5
Wholesale price	$2.45 /Item
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

Roll-on deodorant continued

PRODUCT #4

Brand name	BRECK
Wholesale price	$2.25 /item
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #5

Brand name	BRECK
Wholesale price	$2.45 /item
Promotional allowance	None
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #6

Brand name	BRECK
Wholesale price	$2.25 /item
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #7

Brand name	V-O5
Wholesale price	$2.05 /item
Promotional allowance	None
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #8

Brand name	FINESSE
Wholesale price	$2.05 /item
Promotional allowance	None
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

Roll-on deodorant continued

PRODUCT #9

Brand name	FINESSE
Wholesale price	$2.25 /item
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #10

Brand name	V-O5
Wholesale price	$2.25 /item
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #11

Brand name	FINESSE
Wholesale price	$2.05 /item
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #12

Brand name	BRECK
Wholesale price	$2.05 /item
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #13

Brand name	V-O5
Wholesale price	$2.45 /item
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

Roll-on deodorant continued

PRODUCT #14

Brand name	BRECK
Wholesale price	$2.45 /item
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #15

Brand name	FINESSE
Wholesale price	$2.05 /item
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #16

Brand name	FINESSE
Wholesale price	$2.45 /item
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #17

Brand name	V-O5
Wholesale price	$2.25 /item
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #18

Brand name	BRECK
Wholesale price	$2.25 /item
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

Roll-on deodorant continued

PRODUCT #19

Brand name	V-O5
Wholesale price	$2.25 /item
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #20

Brand name	V-O5
Wholesale price	$2.05 /item
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #21

Brand name	BRECK
Wholesale price	$2.05 /item
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #22

Brand name	FINESSE
Wholesale price	$2.25 /item
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #23

Brand name	V-O5
Wholesale price	$2.45 /item
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

Roll-on deodorant continued

PRODUCT #24

Brand name	FINESSE
Wholesale price	$2.25 /item
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #25

Brand name	V-05
Wholesale price	$2.05 /item
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #26

Brand name	BRECK
Wholesale price	$2.45 /item
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #27

Brand name	BRECK
Wholesale price	$2.05 /item
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PLEASE TELL US ABOUT YOU

Please tell us who you believe is your **most important competitor(s)** and where they are located. (list all those you think are relevant to your store)

COMPETITOR	LOCATION	APPROXIMATE DISTANCE FROM YOUR STORE
#1		
#2		
#3		
#4		

What is your store's approximate sales volume per week? $_____

To which signage program do you belong? _____

THANK YOU AGAIN FOR TAKING THE TIME TO PARTICIPATE IN THIS SURVEY, YOUR OPINIONS WILL MAKE A DIFFERENCE.

If you would like a copy of the results, please print your name and address below.

Any comments you wish to add?

SIMON FRASER UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION

BURNABY, BRITISH COLUMBIA V5A 1S6
Telephone: (604) 291-3708
Fax: (604) 291-4920

January 8, 1993

Mr. Oreste Tomassetti
Lady York Foods
2851 1/2 Differin Street
Toronto, ON
M6B 3S7

Dear Mr. Tomassetti,

Retailers have come under increasing pressure in the past few years with government actions such as the GST, weakness in consumer spending, and increased competition from non-traditional sources (including cross-border competition). In addition, the proliferation of new products in the last few years has created new merchandising challenges. However, no one really knows how Canadian retailers, such as yourself, feel about these important issues.

Your store is one of a small sample of stores being asked to provide opinions about how these matters affect your operation. A questionnaire is attached to gather these opinions. It has been thoroughly tested to make sure that it provides valid results and does not waste your time. In order that the results truly represent Canadian grocery retailers, it is important that every questionnaire be completed and returned.

You can be assured of complete confidentiality. The questionnaire has an identification number for mailing purposes only. This is so that we may check your name off the mailing list when your questionnaire is returned. Your store name will never be placed on the questionnaire. The questionnaire responses will be used for academic research purposes only. No one will use the information for a commercial solicitation of your store.

The results of this survey will be aggregated and made available, to officials and representatives of provincial and federal governments, interested citizens and academic publications. You may receive a summary of the results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it.

Thank you for taking ten minutes to participate in this important research. Your participation is crucial: no other retailer has exactly the same experiences or faces exactly the same customers or competitors as you do. We need your input.

If you have any questions, or difficulties answering the questionnaire, please contact me, Colleen Collins at Simon Fraser University: (604) 291-5836.

Thank you again.

Colleen Collins
Faculty of Business
Simon Fraser University

New Product Evaluations:
A Survey of Retailer Opinions

REMOVED DUE TO POOR PRINT QUALITY

The proliferation of new products in the last few years has put retailers into the drivers' seat, making important decisions about what new products their customers will want and how these products will affect the retailer's bottom line. However, no one really knows how actual retailers, such as yourself, make these decisions. This survey is aimed at finding out. The goal is to better understand how retailers make decisions so that educators and associations like CFIG can work together for the retailers of today and tomorrow.

Your contribution to this research is greatly appreciated.

Thank you for your help.

Faculty of Business Administration
University of Alberta
and
Simon Fraser University

SIMON FRASER UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION

BURNABY, BRITISH COLUMBIA V5A 1S6
Telephone: (604) 291-3708
Fax: (604) 291-4920

Dear Retailer:

Thank you for taking the time to participate in this very important research which is being conducted by the faculties of Business Administration at the University of Alberta and Simon Fraser University.

The survey methods used in this questionnaire may be very different from anything you have experienced in the past. Because we believe that your decisions can be quite complex, it is important to capture the "it depends" part of your decision making. Therefore we ask you to respond to all the items - they may seem quite similar but they differ in very important ways.

Remember, there are no right or wrong answers -- only what you believe is the right decision for your store.

The questionnaire has three parts. **Part One** asks for your opinions about the relative contributions to your store's performance of various brands in three product categories. Each of the questions, while somewhat similar, focusses on a different way a product could contribute to store profits. **Part Two** asks you how you think your customers might respond to new products which are brand extensions. By brand extensions, we mean new products which carry a brand name from an existing product in another category. **Part Three** is quite a different task from the other two. It asks you to make decisions about whether or not you would list the hypothetical new products presented to you.

The results of this survey are confidential and anonymous.

PART ONE: **HEALTH OF THE RETAIL GROCERY SECTOR**

In this section we want to obtain your assessment of the business environment for your operation for the year 1992.(**Please circle one number for each issue)**

How serious are these problems for your operation?

ISSUES	NOT A PROBLEM										MAJOR PROBLEM
Labour quality	0	1	2	3	4	5	6	7	8	9	10
Local economic conditions	0	1	2	3	4	5	6	7	8	9	10
Labour availability	0	1	2	3	4	5	6	7	8	9	10
Increased competition from other grocers	0	1	2	3	4	5	6	7	8	9	10
Increased competition from price-clubs	0	1	2	3	4	5	6	7	8	9	10
Increased competition from non-food retailers	0	1	2	3	4	5	6	7	8	9	10
Increased cross-border competition	0	1	2	3	4	5	6	7	8	9	10
Store-coupon wars	0	1	2	3	4	5	6	7	8	9	10
Rising non-tax expenses	0	1	2	3	4	5	6	7	8	9	10
Labour costs	0	1	2	3	4	5	6	7	8	9	10
Goods and services tax	0	1	2	3	4	5	6	7	8	9	10
Other taxes	0	1	2	3	4	5	6	7	8	9	10

ISSUES (CONTINUED)	NOT A PROBLEM										MAJOR PROBLEM
Government regulation	0	1	2	3	4	5	6	7	8	9	10
Loan capital accessibilty	0	1	2	3	4	5	6	7	8	9	10
Pilferage	0	1	2	3	4	5	6	7	8	9	10
Environmental issues	0	1	2	3	4	5	6	7	8	9	10
Inflation	0	1	2	3	4	5	6	7	8	9	10

Now we would like to know what kind of performance you **expect** for your store in 1992 relative to 1991. (Please circle one number for each criteria.)

PERFORMANCE	MUCH LOWER					THE SAME					MUCH HIGHER
Gross margins	0	1	2	3	4	5	6	7	8	9	10
Sales revenues	0	1	2	3	4	5	6	7	8	9	10
Unit volumes	0	1	2	3	4	5	6	7	8	9	10
Expenses	0	1	2	3	4	5	6	7	8	9	10
Overall profits	0	1	2	3	4	5	6	7	8	9	10

PART TWO: **BRAND PERFORMANCE**

These questions ask for **your opinions** about the impact of individual BRANDS on your store's performance.

For the following questions, please allocate 100 points among the three brands, so that the points reflect your opinion about each brand compared to the others. The more points a brand receives, then the more you believe that it contributes to your store's performance. The brand that contributes the least should receive the least points.

Please check that the allocated points add up to 100.

For example, if you feel that all three brands contribute equally to your store's performance then each brand should receive 33 points (if there are three brands 3 X 33.33 = 100). But if you feel that one particular brand contributes as much as both others mentioned, then that brand would receive 50 points and the other 50 points would be allocated to the remaining brands according to their relative contributions.

1. Considering **non-promotion sales volumes** only, what are the relative contributions of the brands to **PRODUCT FAMILY SALES VOLUMES across all package sizes**?

TIDE	___
ARCTIC POWER	___
ABC	___
Total	100

2. Do you take the same, or different, **percentage shelf-price margins** on all brands within a product family? (If you take the same margin on all brands, then all would receive the same number of points. If you take a higher margin on one brand in relation to the others, then that brand would receive more points than the others listed.)

TIDE	___
ARCTIC POWER	___
ABC	___
Total	100

3. This time we're interested in whether a particular **brand's sales would increase, more or less, than others, WHEN IT IS PROMOTED**. If some brands increase their sales (when advertised) more than others (when they are advertised), they should receive proportionately more points.

TIDE	___
ARCTIC POWER	___
ABC	___
Total	100

4. Compared to the other brands listed **how much are a brand's sales REDUCED in your store, when other brands are promoted**. If all brands are hurt about the same, then allocate the same number of points to each brand, but **if some brands are HURT relatively more by competing brands' promotions** than other brands then give that brand proportionately **MORE** points.

TIDE	___
ARCTIC POWER	___
ABC	___
Total	100

5. How much do you feel these brands contribute to **overall store traffic** when they are on promotion and advertised? (If more traffic is generated when Brand A is on sale, than when Brand B or Brand C are promoted, then Brand A would receive more points.)

TIDE	___
ARCTIC POWER	___
ABC	___
Total	100

PART THREE: **NEW PRODUCT ISSUES**

The next three questions have to do with several hypothetical new products which would be extensions of brands you evaluated in the previous questions. **Brand extensions are new products introduced using a familiar brand name which already exists in another category**. You have been selected to evaluate extensions of detergent brands into the all purpose spray category.

Once again we ask you to allocate 100 points among the brands so that the number of points you allocate to each reflects your opinion of the relative position of each brand.

1. To what extent do you believe that your **customers will value the features and/or benefits associated with the following brand names** if they were introduced as new products in the **all purpose spray cleanser** category? The brand that you expect to have the most valued features in this new category should receive the most points, and so on.

TIDE	____
ARCTIC POWER	____
ABC	____
Total	100

2. To what degree do you believe that hypothetical new all purpose cleansers with these brand names, will **appeal to the same customers who already buy these brands?** Assign points to each brand to reflect your opinion of how much appeal each will have.

TIDE	____
ARCTIC POWER	____
ABC	____
Total	100

3. To what extent do you think that the manufacturers of these brands can **produce all purpose spray cleansers of similar quality to the detergents they currently produce**? The manufacturer you believe to be most capable of consistent quality in the new category should receive the most points. Assign points to each brand to reflect your opinion of how consistent the quality of each brand will be.

TIDE	____
ARCTIC POWER	____
ABC	____
Total	100

ALL PURPOSE SPRAY CLEANSER CATEGORY CHARACTERISTICS

1. Expected all purpose spray cleanser **category growth** (1992) _____%

2. **Number of competing brands** currently carried in your store _____.

PART FOUR - **NEW PRODUCT LISTINGS**

In this section we present you with descriptions of **hypothetical new products**. You have been selected to evaluate new products in the **ALL PURPOSE SPRAY CLEANSER (TRIGGER SPRAY)** category. These products are brand extensions therefore **they are familiar brand names - in a new product family**. Each item is described by:

a) its **brand name** - Tide, Arctic Power, or ABC
b) its regular **wholesale price** (per case - 12 (600 ml) $29.95, $32.97, or $36.00)
c) the amount of **purchase allowance** (no P.A. or 3% or 6% off the wholesale price of each case)
d) extent of **national/ regional advertising support** (no ad support, moderate ad support or excellent ad support)
e) the **actions of your most important competitor** regarding this item (not listed, or listed at regular price, or they list it and have it on their weekly ad).

Read each product description and then decide whether or not you would list THAT PRODUCT.

Assume that each product you see is the only option available. After you have indicated what your action would be, please continue on to consider the other alternatives. Make your decisions separately for each item. Each decision should not take more than a few seconds.

Example

PRODUCT A

Brand Name	Arctic Power
Wholesale price	$29.76 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

(ACCEPT LISTING) REJECT LISTING

In the above example the retailer decided that they would list the new product in their store and indicated their decision by circling the action they would take.

CIRCLE THE APPROPRIATE LISTING ACTION. Naturally there is no right answer - only the answer which you believe is right for your store.

All purpose spray cleanser (trigger)

PRODUCT #1

Brand name	Tide
Wholesale price	$36.00 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #2

Brand name	Tide
Wholesale price	$36.00 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #3

Brand name	ABC
Wholesale price	$36.00 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #4

Brand name	Arctic Power
Wholesale price	$32.97 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #5

Brand name	Arctic Power
Wholesale price	$36.00 /case
Promotional allowance	None
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #6

Brand name	Arctic Power
Wholesale price	$32.97 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #7

Brand name	ABC
Wholesale price	$29.95 /case
Promotional allowance	None
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #8

Brand name	Tide
Wholesale price	$29.95 /case
Promotional allowance	None
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #9

Brand name	Tide
Wholesale price	$32.97 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #10

Brand name	ABC
Wholesale price	$32.97 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #11

Brand name	Tide
Wholesale price	$29.95 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #12

Brand name	Arctic Power
Wholesale price	$29.95 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #13

Brand name	ABC
Wholesale price	$36.00 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #14

Brand name	Arctic Power
Wholesale price	$36.00 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #15

Brand name	Tide
Wholesale price	$29.95 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #16

Brand name	Tide
Wholesale price	$36.00 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #17

Brand name	ABC
Wholesale price	$32.97 /case
Promotional allowance	6% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #18

Brand name	Arctic Power
Wholesale price	$32.97 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #19

Brand name	ABC
Wholesale price	$32.97 /case
Promotional allowance	3% discount
National/Regional ads	No advertising support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #20

Brand name	ABC
Wholesale price	$29.95 /case
Promotional allowance	6% discount
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #21

Brand name	Arctic Power
Wholesale price	$29.95 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #22

Brand name	Tide
Wholesale price	$32.97 /case
Promotional allowance	None
National/Regional ads	Moderate ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #23

Brand name	ABC
Wholesale price	$36.00 /case
Promotional allowance	None
National/Regional ads	Excellent ad support
Competitor actions	Item listed at regular price

ACCEPT LISTING REJECT LISTING

PRODUCT #24

Brand name	Tide
Wholesale price	$32.97 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #25

Brand name	ABC
Wholesale price	$29.95 /case
Promotional allowance	3% discount
National/Regional ads	Excellent ad support
Competitor actions	Item listed and on ad

ACCEPT LISTING REJECT LISTING

PRODUCT #26

Brand name	Arctic Power
Wholesale price	$36.00 /case
Promotional allowance	3% discount
National/Regional ads	Moderate ad support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PRODUCT #27

Brand name	Arctic Power
Wholesale price	$29.95 /case
Promotional allowance	6% discount
National/Regional ads	No advertising support
Competitor actions	Item not listed

ACCEPT LISTING REJECT LISTING

PLEASE TELL US ABOUT YOU

1) Please tell us who you believe are your **most important competitor** and where they are located. List all those you think are relevant to your store.

COMPETITOR	APPROXIMATE DISTANCE FROM YOUR STORE
#1_____	_____
#2_____	_____
#3_____	_____
#4_____	_____

2) Approximately what is the total size of your store _____ sq. ft.

3) Approximately what size is the selling area of your store _____ sq. ft.

4) Approximately what is your store's average sales volume **per week?** $_____

5) How many employees do you have?

_____full-time

_____part-time

6) To which signage program (if any) do you belong? _____

7) Are you: (check one)

_____independently owned and operated

_____chain owned

Once again, thank you for taking the time to participate in this survey, your opinions matter to us.

Any other comments you wish to add?

SIMON FRASER UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION

BURNABY, BRITISH COLUMBIA V5A 1S6
Telephone: (604) 291-3708
Fax: (604) 291-4920

February 17, 1993

Mr. Jamie Wilkinson
Loeb IGA Highland
75 Dundas St., Highway 97
Cambridge ON
N1R 6J5

Dear Mr. Wilkinson,

About four weeks ago, I wrote to you seeking your feedback on important issues facing retail grocers. As of today we have not yet received your completed questionnaire.

This research has been undertaken because of the belief that there should be a better understanding of the issues facing retailers as well as how they make important decisions such as new product listings.

I am writing to you again because of the significance each questionnaire has to the usefulness of this study. Your name was selected through a scientific sampling process in which every independent retail grocer in Canada had an equal chance of being selected. In order for the results of this study to be truly representative of the opinions of all independent retail grocers, it is essential that each retailer return their completed questionnaire.

In the event that your questionnaire has been misplaced, a replacement is enclosed.

Your cooperation is greatly appreciated.

Sincerely,

Professor Colleen Collins
Faculty of Business Administration
Simon Fraser University

If yours survey is already in the mail - Thank you